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Fouad Ajami

THE SUMMER OF ARAB DISCONTENT

Routine, it turned out, was but a brief interlude between two audacious bids. No sooner had the Arab/Muslim world said farewell to the wrath and passion of the Ayatollah Khomeini's crusade than another contender rose in Baghdad. The new claimant was made of material different from the turbaned saviour from Qum: Saddam Hussein was not a writer of treatises on Islamic government nor a product of high learning in religious seminaries. Not for him were the drawn-out ideological struggles for the hearts and minds of the faithful. He came from a brittle land, a frontier country between Persia and Arabia, with little claim to culture and books and grand ideas. The new contender was a despot, a ruthless and skilled warden who had tamed his domain and turned it into a large prison.

Three years earlier the Kuwaitis had dodged a bullet. The turmoil of the final year of the Iran-Iraq War had come closer to them. They turned to the Americans, seeking protection for their oil exports. The Reagan administration was on the rebound then from the fiasco of its arms sales to Iran; it obliged the Kuwaitis, re-flagged their tankers, and the danger subsided. But alas, countries cannot be re-flagged like ships and tankers. In the summer of 1990 Kuwait was left to the tender mercies of the Iraqis. The Kuwaitis were in the way of a state possessed of considerable power and a sense that the world around it owed it a great debt for the service it had performed in its long struggle against the Iranian Revolution. Saddam had been protector and gendarme. He now came to collect what he saw as the fair wages of the work he had done.

He struck in August, dusting off a fraudulent claim to the wealthy principality next door. Before he swept into Kuwait, Saddam had gone through the motions of negotiating with the Kuwaitis: the single negotiating session, held in Saudi Arabia,

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lasted two hours. Then came the dash for the loot on August 2, 1990.

Not the most articulate of leaders, Saddam Hussein found his themes as he went along. He annexed the dreams and resentments of other Arabs, appealing to their atavistic impulses. Hurriedly he rolled out his own map of a phantom Arab nation and picked up an old weapon. In the barracks and the academies there had once been a vision of Arab history—a memory of a time when the Arab world was supposedly one and whole, a tale of betrayal at the hands of European powers, and the dream of a leader who would set history right again. That was the material that Gamal Abdul al-Nasser of Egypt had worked with three decades ago, and that was the material that Saddam would try to revive.

With great stridency Saddam Hussein railed against the "colonial borders" of the Arab world. Those borders were false and contrived, he said, and they had placed Arab demographic weight on one side and Arab wealth on the other. In fact, however, he himself ruled a polity that had been put together by British power in the aftermath of the First World War out of the wilderness of Mesopotamia and the fragments of what were three separate provinces of the Ottoman empire: Baghdad, Mosul and Basra. It was British armor and will that had created an "Arab national state" in Iraq and left it with favored borders in the face of superior Turkish claims in the north and of the Kurdish yearnings for autonomy in the hill country of Kurdistan. The Shia majority in the south had been beaten into submission by the British to make way for that Arab national state and its would-be rulers, the Sunni Arab townsmen of the Tigris and Euphrates valleys. But the Iraqi strongman saw no contradiction between the facts of his country's past and his own pan-Arab ambitions. He rolled together the claims of Arab nationalism and the resentments of the more impoverished Arabs.

Timing helped Saddam Hussein pick up the support he managed to rally: he made his move into Kuwait at a time when the Arab world felt it was being passed over by history. The move into Kuwait came right after that *annus mirabilis* of 1989—Europe's Springtime of Nations—had left the Arab world on the sidelines. History had gone elsewhere—to Germany and Eastern Europe. There were even celebrated elections in several Latin American settings. It was the season of democracy, but the Arab world's tyrants were still in power.

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While the Soviet Union was breaking with its orthodoxy, its Arab satrapies were left holding the bag.

"Look at us," said a Jordanian reflecting on the Arab condition in mid-1990, "our situation is terrible. The whole world is getting democracy except for us. Our economies are a mess, we are weak, we are being left behind. We can't even stop the Russian Jews from immigrating to Israel."[1] In the Iraqi despot, some Arabs would see an instrument of redemption. There was no rival public project in the Arab world. To those who identified with him, Hussein passed off his conquest of Kuwait as the dawn of a new age. His admirers and those who indulged him said that he was not exactly the right man but that he came at exactly the right time, that it was enough that he had dealt a death-blow to the old order.

A decade earlier Saddam Hussein had posed as a man of order; he had mixed with the dynastic rulers in the gulf, presented himself as a defender of commerce and orthodoxy against the Persian state and its Shia tributaries in the Arab world. He had befriended the Saudi monarch and the emir of Kuwait. His brutal past, it was said, was surely behind him; he had matured and changed. Saddam now let the disgruntled read into him what they wished. He offered himself to the imagination of the thwarted. He was a second Nasser, said a Jordanian, but a Nasser with teeth.

Saddam's conquest of Kuwait offered something for nearly all the frustrated masses. For the Yemenis sitting at the edge of the oil wealth, he provided the vicarious satisfaction of seeing the wealthy stumble and fall. Beirutis—east Beirutis, that is, in the Christian sector of the city, whom Saddam had supported against Syria—celebrated his deed: the ruin of their city had spread to a city in the gulf that had been orderly and precious. For the young semi-Westernized Algerians and Tunisians living in close proximity to Europe, Saddam acted out their rage against the West—a rage born of dependence and of the failure of the post-colonial state to stand on its own and keep its people at home.

Saddam had warred against Ayatollah Khomeini for nearly a decade; he had insisted that religion and politics did not mix, he had prided himself on the secularism of the Baath Party. He now paid his old Iranian nemesis a curious compliment by falling back on Khomeini's language of fire and brimstone.

[1] *The Economist*, May 12, 1990.

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Although he had a Christian foreign minister, Saddam summoned believers to a *jihad*, a holy war: "Arabs, Muslims, believers in God wherever you are, this is your duty to jump up and defend Mecca, hostage to the Americans." The violence of his deed against Kuwait was to be overlooked: the annexation was presented as a fait accompli; it was the American presence in Saudi Arabia (brought about by his invasion) that he and his supporters saw as the principal challenge.

II

With the Palestinians Saddam Hussein forged an instant bond: he was a revisionist leader assaulting the status quo, they were the quintessential revisionists. In the West Bank and Gaza, they had been waiting for an Arab cavalry, and Saddam was the "Knight of Arabism" riding to their rescue. He was the "Second Saladin," said a school teacher in the town of Beit Fajjar, on the West Bank. The Palestinian press under Israeli occupation paid tribute to him. In April Saddam had threatened to hit Israel with a "binary chemical weapon," to torch "half of the country" if it attacked Iraq. The crowd on the West Bank and Gaza did not know exactly what the binary chemical weapon was, but they assumed it was a weapon of wonder that would bring the invincible Israelis to heel.

Saddam struck a responsive chord among the Palestinians with his bravado, and they went out for him when he devastated Kuwait in August. The uprising in the West Bank and Gaza that had erupted in December 1987 was a Palestinian declaration of independence from the captivity of pan-Arab politics. The Palestinians had decided to go it alone. Their celebration of Saddam's rise, some thirty months later, was a return to the past, as good an indication as any that the hopes pinned on the uprising itself had failed to materialize, that the Green Line between pre-1967 Israel and the occupied territories had not been erased after all, and the status quo had not changed. The sun had risen again over the old impasse, and the Palestinians were looking for deliverance from far away.

Then came the decision of the leadership of the Palestine Liberation Organization to support Saddam. Perhaps they thought that he was a sure winner, that he had gotten away with the heist; shortly after the invasion of Kuwait, Yasir Arafat traveled to Baghdad to embrace the conqueror. Irony, if not hypocrisy, was startling: Kuwait had been the place where Arafat had made his fortune as a young man. More

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than Beirut even, Kuwait was the place where a vast Palestinian bourgeoisie had prospered, put together their lives after their dispossession in 1948. Kuwait's rulers had given generous subsidies to the PLO and its affiliated organizations. But passions warred with interests and passions won.

Arafat had tried flying among the doves; he had his dialogue with the United States, he had been admitted into the charmed diplomatic circle. But the dialogue had failed to yield the bounty he had expected. His embrace of Saddam was part opportunism—Saddam had seemed on a roll in August—and part conviction. There was no indication that Arafat saw the contradiction in his own position—accepting the Iraqi invasion of Kuwait while urging Israeli withdrawal from the West Bank—or that he appreciated the long-term damage to the Palestinian cause from such a call.

A great deal of Arafat's energy and time had been spent cultivating the support of the dynasties in the gulf. To the rulers of the gulf he had insisted, over the course of the preceding two decades, that the Palestinian cause was devoid of any ideological overtones, that he did not traffic in revolutionary politics of any kind. When it was time to be counted, though, the choice was in favor of the Iraqi leader. One thing should be granted to Yasir Arafat: he has never run ahead of his people. In good measure his acquiescence to Iraq's conquest of Kuwait was a fair reflection of where his constituency stood. Military occupation and dispossession, rather like misery, apparently love company. A Palestinian woman who lived in Kuwait gave vent to this sentiment when she said, "Maybe the Kuwaitis will understand us better. They are always blaming us, asking us why did we leave our country. Let's see how many Kuwaitis stay here."[2]

Powerful currents of historical revisionism and of sympathy for Iraq's bid were unleashed also in the capital of Jordan, traditionally the most cautious of places. Amman's delirious crowds embraced Saddam's cause. There was that fault-line between Jordanians and Palestinians, but Saddam's bid appeared to close it, giving both halves of this modest realm a joint enterprise. History came to the forgotten monarchy, or so it seemed in the first month that followed the invasion of Kuwait. It was there that the world's press—the print media

[2] *The Washington Post*, Aug. 15, 1990.

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and TV broadcasters—converged; for a brief moment Amman became the Arab "street." The TV cameras found a people anxious to talk. They were poor and the Kuwaitis were rich, the aid promised them by the gulf states seldom materialized, and when it did the assistance was given in a way that battered pride. Jordanians were heavily indebted, living beyond their means; food riots had swept Jordan's principal cities a year earlier, but hardly anyone came to the rescue.

The whole edifice of the diplomatic settlements that followed the First World War and created the modern Middle East was dug out by the intelligentsia of Jordan. Bravado and worry mixed in equal measure in Amman. The pundits knew the fragility of their land, understood that it could be trampled by more powerful players. They sought for their kingdom a curious kind of insurance policy: a fling with radicalism, a ride with the conqueror. Deep down the intellectuals and activists in Jordan must have known that the benign political culture of their land would have no place in Saddam's universe. But caution was thrown to the wind.

King Hussein had been here before: a quarter-century earlier, during the Six Day War of 1967, the crowd in Amman had been carried away with its enthusiasm for Nasser. Back then the king had thrown in his lot with the Egyptians. He shared in the Arab defeat of 1967: his regime was spared, but he lost the part of his realm west of the Jordan River that his grandfather had secured in 1948–49. The king made a similar decision this time around. He would go as far as he could to support the Iraqi dictator. The king and the Iraqi strongman were not the most natural of allies—scion of the Hashemites and ruthless upstart from Takrit. Their relationship had begun as a matter of convenience during the struggle between the Iranian Revolution and the Iraqi regime.

The king of Jordan is a man who hedges his bets, and the bet on Baghdad was one among others he had placed. Across the Jordan River there were his dealings with the Israeli Labor Party and his interlocutor, Shimon Peres. But as the 1980s drew to a close some of the king's bets had not paid off. The ascendancy of the Likud Party in Israel had pushed aside the Israelis he knew and understood. He and Peres had committed themselves to a "Jordanian solution" for the West Bank. But Peres' party had lost to Likud, and the uprising, the intifada, which erupted in December 1987, had put the final nail in the coffin of the Jordanian solution.

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Beyond that were the king's ties to America, but these patrons were far away. Their attention and their help were directed elsewhere—toward Israel and Egypt, their newest ward in the Arab order. Jordan had once mattered to America; its monarch had grown dubious that this remained true. Hussein had been, if any Arab leader was, a man of the West among the Arabs, but this had ceased to matter. To the extent that the Americans engaged themselves in the affairs of concern to the king, they had drawn closer to the Palestinians. The king could not "deliver the Palestinians," Washington believed; only the Palestinian leadership itself could. The uprising of the "children of the stones" had held the world's attention for nearly two years; it had given Arafat a new lease on life. Washington had obliged the PLO leader with an American dialogue in the closing days of the Reagan administration. This left the king on his own.

Amman's relations with Baghdad loomed larger in its 1990 universe. In no time the Iraqi strongman would take the cautious monarch beyond lines he may have never intended to cross. King Hussein went along with the same sense of fatalism that has marked critical junctures in his political life. The king was the inheritor of a statecraft bequeathed him by his grandfather, who knew how to sail close to the wind and when to ease off, but it was virtually impossible to navigate safely through this particular storm. As Saddam Hussein's bid unfolded, it developed into a struggle between legitimacy and usurpation. The monarch in Amman would try to split the difference. He stepped out of the way and let the deadly passions in his country play themselves out. This was democracy, it was said in Amman. Revolutionaries and pamphleteers—Palestinian radicals like George Habash and Nayif Hawatmeh—converged on his capital in mid-September for a "pan-Arab" meeting. These were revolutionary vagabonds whom the king had known before and had expelled to Beirut in 1970. Two decades later they were back in a city that had changed its loyalties and was now playing with fire.

III

Matters were more difficult for Saddam Hussein in other parts of the Arab world, places and populations that knew him all too well. There would be no celebration of Saddam's invasion among the Muslims of West Beirut. For the Shia majority in Lebanon, Saddam was the embodiment of cruel

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power that lies at the heart of Shia martyrdom and history. He had put an end to the independent life of the Shia shrine towns of Najaf and Karbala in Iraq. In 1980 the dictator had executed Iraq's most distinguished Shia jurist, Ayatollah Mohammed Baqir al-Sadr, as well as many others, and banished hundreds of Shia ulema to Iran.

Saddam had played for Egypt's support. By President Hosni Mubarak's account, Saddam had appealed to Mubarak to side with him as a leader who had also risen to the pinnacle of power but was not of "the kings and the princes."[3] Saddam sought to speak to the Egyptian masses, to appeal to their sense of deprivation relative to the Kuwaitis and Saudis. But vast numbers of Egyptians had lived and worked in Iraq through the 1980s. They were not deluded by his populist promises; their possessions had been looted by the Iraqis, their savings taken away from them. For months prior to the invasion of Kuwait a quiet story was an open secret in Egypt. Egyptians who had worked in Iraq were being killed, vigilante-style, by Iraqis who had returned from the gulf war to reclaim their farmland and their jobs. Perhaps a thousand Egyptians had been murdered, it was said. Troubling the peaceful temperament of the Nile valley were horror stories about Iraq and its violent ways.

Arab/Muslim society has not been able to produce democratic politics or to check the tyranny of despots who step forth and claim it all. That society knows a tyrant when it sees one, and it may obey. For the Iraqi strongman there was no love; he had not tapped that kind of sentiment. He had presented himself as a man to be feared. Moreover he had made his bid from an insular city; few Arabs knew Baghdad or identified with it. Nasser's bid had come from Cairo, the metropolis of the Arab world, the capital of its modern culture. Baghdad was a prohibitive, stern place. Its gift to the Arab political experience was the first coup d'etat staged in modern times, in 1936, a generation before the military seizures of power in Syria and Egypt. And there were those searing images of Iraq's more recent past—the murder of the Hashemite rulers on that summer morning in July 1958 and the successive purges and wholesale murders that have been part of Iraq's past since the fall of the monarchy.

To be sure, some Arab intellectuals among the Palestinians

[3] *Al-Ahram*, Sept. 18, 1990.

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and the North Africans said that Saddam expressed the "hidden anguish of the Arab soul" when he moved against Kuwait. But that is the familiar plaint of frustrated intellectuals about dictators in other lands and other epochs. Against the confusion of the intellectuals, a traveler through the area could hear the moral clarity of ordinary men and women who saw through the deed. One Syrian, who lost his life savings in Kuwait, observed, "Saddam has put ink in the water. How can we drink from it anymore?" In the town of Beit Fajjar on the West Bank, a man in his sixties dissented from the exultation of his town to say: "The Prophet Mohammed said people should share three things: fire, water and grass. It is true that the Kuwaiti emir should have shared more. But Saddam is not Saladin. We are like a people drowning, trying to grab any straw. Saddam is our straw."

It was not easy for Saddam Hussein to claim popular culture on his side, to preempt its symbols. There were many threads in that culture; some lent themselves to his manipulation, others did not. He had summoned Islam to his side, but Islamic symbolism did not come naturally to him or to his regime. And besides, Islam spoke in many ways; the Kuwaiti episode has revealed once again the variety of Islam and the difficulty of capturing it. Some Islamic activists in Tunisia and Algeria and the Gaza Strip rallied to the Iraqi banner, but Islamic movements in Egypt and Lebanon condemned the Iraqi deed and ridiculed Saddam's sudden discovery that he was a descendant of the Prophet Mohammed. Radical Islamic movements issued predictable charges against the presence of foreign forces in Saudi Arabia, but the highest ulema of the religious establishment ruled against the conquest of Kuwait and the ruler of Baghdad. In late August, one of Egypt's most authoritative ulema, Sheikh Jadd al-Haqq, issued a *fatwa* (a ruling opinion) that denounced Saddam's invasion of Kuwait and sanctioned the Saudi invitation of foreign forces. "The tyrant has to be contained," the influential Sheikh wrote, "lest his tyranny spread." The gulf states had a right to ask for foreign assistance to protect themselves against a "treacherous brother." The learned leader of Al Azhar brushed aside Saddam's call for a *jihad*; this call to a holy war, he said, was only a cover for tyranny.[4]

[4] *Al-Hayat*, Aug. 22, 1990.

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On a more concrete level, that of interstate politics, Saddam could not prevail in his attempt to depict his campaign as a straight-out struggle between the rich and the poor states of the Arab world. He picked up the support of Yemen, Jordan, the Palestinians and a measure of indulgence on the part of Tunisia and Algeria. But he had to contend with the opposition of two pivotal states, Egypt and Syria. Baghdad's audacious bid for mastery in the gulf gave a new lease on life to the trilateral coalition that had dominated Arab politics during the October War of 1973: Egypt, Syria and Saudi Arabia.

For their part, the Egyptians were keen to return to the politics of the gulf and the Saudis had to reconcile themselves to an Egyptian role. Old memories and the modern competition of states had left the custodians of the Saudi realm determined to keep Egypt out of gulf affairs. The first Saudi state (1744–1818) had been devastated by the Egyptian ruler, Mohammed Ali, who came into the gulf peninsula on behalf of the Ottoman court to put down the puritanical revolt of Wahhabism. History was repeated, or so it seemed, when Nasser dominated inter-Arab politics in the 1950s and 1960s and mounted a serious challenge to the survival of the Saudi dynasty. The weight of Egypt in Arab affairs has never been easy for the Saudis to accept. The staggering size of Egypt's population and the difficulty of coming up with enough aid to see the Egyptians through have always seemed overwhelming to the Saudis. American pressure in favor of a highly visible Egyptian presence was one element in the new Saudi acquiescence, the very deadly nature of the Iraqi threat was no doubt a reinforcing factor. In the event, the Egyptians were back at the center of things, and the Saudis had to make room for them.

For the Syrians the struggle against Iraq was an opportunity to return from the diplomatic wilderness. Over the last decade Syria had been a state unto itself. During the Khomeini era the ruler in Damascus had straddled the fence between the old Arab order and its Shia challengers in Teheran and Beirut. He was alternately a gendarme of the neighborhood putting down Beirut's troubles and a heterodox rebel from Syria's Alawi hinterland. It was reckoning time for Hafez al-Assad when Khomeini's crusade failed to overrun the old Arab order. The Syrian president had made common cause with the Iranians and they had failed. Assad's dominion in Lebanon was an uneasy affair, challenged by an Iraqi regime that found

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anxious wards in Maronite east Beirut. From that isolation the Assad regime has been released by Iraq's bid. There is treasure to be found in the gulf that the Syrians desperately need. And there is a reconciliation with the old order. President Assad may be a bully who had established a sphere of influence in Lebanon, but compared to his counterpart in Iraq he possessed some scruples. His state had revisionist claims of its own against part of Lebanon's territory, but Assad had let matters run their course in Lebanon. He worked through the shell of Lebanese sovereignty and never broke the rules of his world with the brutal indifference on display in Baghdad.

Assad's campaign in east Beirut against the Maronite rebel commander, Michel Aoun, was in keeping with Assad's style. Aoun was indulged for two years, hemmed in, but kept in play. The decisive push against Aoun came when everything was in place for the Syrians: they were partners in the coalition against Iraq, Aoun's Iraqi patrons were too busy to come to his rescue, and he had become a nuisance. A free hand in Lebanon was the payoff for the Syrian role in the gulf.

IV

A distinction is made in the lands of the gulf littoral between Arab al-Shimal, the Arabs of the north, and Arab al-Khalij, the Arabs of the gulf. The Arabs of the north had been content to spare the lands of the gulf their deadly political feuds. It was a pragmatic accommodation; the lands of the gulf provided money, job opportunities and made possible the work of the gunmen and the pamphleteers further north. Utopias of all kinds were unleashed in the lands of the north: currents of radical nationalism, flings with socialist politics, absolutist temptations of every kind. It was a simpler world among the Arabs of the peninsula and the gulf. Few thought that the world of princes and merchants could be remade. Authority was paternalistic, but ruler and ruled lived in a social and political world held together by bonds that men generally did not break.

In the summer of 1990 Iraq, the borderland between the Arabs of the north and the gulf Arabs, served a warrant on the old order in the gulf. The failed lands in the north—the ruinous politics, the burdened state-run economies, a demographic explosion that provides young foot-soldiers for the politics of despair and banditry—spilled southwards. The precarious peace between the Arabs of the peninsula and gulf

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(constituting about eight percent of all Arabs) and their more impoverished neighbors has broken down.

By one interpretation put forth by the keeper of the Nasserite flame, the Egyptian journalist Mohamed Heikal, the crisis of the summer of 1990 was the latest round in the struggle between "desert people and city people." The struggle for national independence, Heikal wrote, was conducted in the cities—Cairo, Damascus, Baghdad and Beirut. The "tribal leaders" got the oil and the cities were "deprived of the fruits of their struggle." A contract of sorts had been concluded between the city people and the tribal leaders. But a new generation grew up in the oil states "believing that they had the right to rule"; the royal households grew in size and transformed a "tribal system into a regal one." The Saudi royal family alone, Heikal observed, now numbers 6,500 to 7,000 people. The contract with the cities was broken. In Heikal's formulation, Arab history—the writ of that "Arab national movement" in the cities—now wars with geography, the location of oil.[5]

For the oil states this kind of political logic, which slights their sovereignty and legitimacy, is a throwback to an unhappy past. The rallying cry of "Arab oil for the Arab people" had been the stuff of politics in the 1950s and 1960s, the hightide of Nasserism. Those were perilous times for the oil states. They walked a tightrope between some fidelity to the wider Arab world and self-preservation. There were insurance policies from afar—a British guarantee for Kuwait, a more durable American guarantee for Saudi Arabia. It was still a time, though, when local predators were easily held in check by outside powers. Days after the British had terminated their treaty of protection of Kuwait in 1961 the Iraqis moved their army across the border, staking a claim. The British then returned to the scene and the Iraqis retreated. Not long afterward Nasser went into Yemen. He did not head straight to the oil fields of Saudi Arabia; he was a more cautious player. Nasser may have been a revisionist but he was no outlaw. He knew the balance of forces and the logic of things that can and cannot be. The Yemen war pitted Saudi Arabia against Egypt, and Egypt lost.

Luck came to the rescue of the gulf and peninsula Arabs in

[5] "Out with the Americans, In with a New Arab Order," *The Times* (London), Sept. 12, 1990.

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their struggle against radical nationalism. The Six Day War with Israel in 1967 shattered the power and self-confidence of the radical states. A deal was then struck between the dynastic order in the gulf and the Egyptian state. Aid was provided to Egypt and Cairo called off its ideological campaign. Militant pan-Arabism was seen for the ruinous crusade it was; the region was de-radicalized. Flush with oil wealth after the October 1973 War, the people of the gulf gained the confidence of societies turning to finance and economic work. Khomeini shattered the peace a few years later. But as we know in hindsight, Khomeini could never really bridge that Arab-Persian divide. The Islamic split between orthodox Sunnis and Shia rebels was too deep for him to surmount.

Saddam's bid closed a circle; the pan-Arab arguments and radical sensibility of the 1950s returned. The new bid, though, had behind it the cruelty of the man at the helm of the Iraqi state, its weapons of mass destruction, and Saddam's conviction that he lived in a political world shorn of all restraints and scruples. Saddam had implicated much of his world (gulf Arabs, Egyptians) and powers beyond (Americans, French) in his anti-Iranian and anti-Shia drive, in the cruelty of what he did at home. It is no wonder he was impervious to judgment, why he acted as though he himself had been betrayed by the furious response to his invasion of Kuwait. A decade ago Saddam had dispatched his cowed countrymen eastward in a campaign against the "fire-worshipping Persians." Back then he had banned grief and public funerals for the war dead. This time around, the expedition southward, to Kuwait, held out the promise of Kuwait's treasure and the heady illusion of a crusade to expel the West from the peninsula and the gulf. To the cruel challenge he placed at the doorsteps of the gulf Arabs, their benign societies had no ready deterrent. To survive this assault the gulf Arabs, principally Saudi Arabia, had to break with one of the political and cultural taboos of their world: the deterrent had to be supplied by an American-led military presence.

V

The founder of the modern Saudi state, Ibn Saud, left his descendants a subtle tradition about traffic with the foreigner: "England is of Europe, I am the friend of the Ingliz [the English], their ally. But I will walk with them only as far as my religion and honor will permit." The foreigner may have been

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benevolent; his machines and skills may have found and marketed the source of the peninsula's wealth, softened and altered the life of the desert. But traffic with the stranger had its rules; it had to be discreet, the foreigner had to tread carefully. It was these political and cultural limits that the custodians of the Saudi state had to cross when Saddam swept through Kuwait to their border.

It is idle to speculate what Saddam's intentions were once his forces had amassed on the Saudi-Kuwaiti border. The guardians of the Saudi realm were in no mood for guesswork. Saddam could have struck Saudi Arabia or kept open the possibility of an invasion. That kind of uncertainty was intolerable to Saudi decision-makers. We do know from accounts supplied by the Saudis that there were three Iraqi incursions into Saudi Arabia in the first day that followed the Iraqi push into Kuwait. The Saudi realm seemed at the mercy of the Iraqi ruler.

The Saudis hold no illusions about what would have come to pass had Saddam's army swept across the border: Iraqis could have reached the capital city of Riyadh in three days. Saddam could have decapitated the regime and shattered the ethos of its Najdi heartland, based as it is on conquest and chivalry and the memory of a warring past. The entire social contract of the Saudi state could have collapsed. Saddam could have severed the eastern province of the kingdom with its oil reserves from the rest of the Saudi realm. The state bequeathed to the House of Saud by Ibn Saud would have been up for grabs. Compared to this sort of calamity the political and cultural troubles of a foreign military presence on Saudi soil were minor irritants.

The guardians of the state trusted that their people would go along, that the Saudi public understood the threat the raider across the border held out to the life and the prosperity of the kingdom. Somewhere between 250,000 and 300,000 Kuwaitis fled into Saudi Arabia. They came bearing tales of grief and violation. They had taken to the road and were anxious to talk; the Saudis gave them unlimited access to the airwaves and the printed media. The subliminal message of Kuwait's ordeal was straightforward: "There but for the grace of God go we." It was easy for the Saudis to understand why "Arab and Islamic and other friendly forces" had been invited by their rulers. The Americans were a fire brigade, a Saudi journalist told me, and a man whose house is on fire is not concerned with the national origins of those who come to put out the flames.

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A post-boom generation had come into its own in Saudi Arabia during a time of great wealth and indulgence. They did not have their elders' memory of poverty and hardship. The shattering of the Kuwaiti world was their first exposure to dispossession. It was a reminder that all could be laid to waste, that a cruel fate awaits those who find themselves surrounded by covetous neighbors. On the 59th anniversary of the unification of the Saudi state, which came in late September, there was a sudden awareness of the dangers that attend this wealthy realm. No one was in a mood to second-guess the decision of the rulers to call for American military assistance.[6]

The Saudi rulers sought the approval of the ulema of the realm. The leading traditional jurist, Sheikh Abdul Aziz Ibn Baz, gave the presence of the foreign forces his sanction. A few years earlier the same Ibn Baz had ruled against the moral pollution of the foreigners on several matters of social ritual: he had ruled that foreigners in the kingdom should fast during the month of Ramadan, he took a jaundiced view of Saudi Muslims who travel into non-Muslim countries, and he wanted stiffer penalties imposed on foreigners manufacturing alcohol in the kingdom. "There could not be two religions in the peninsula, but only one," he had admonished. Now he found a warrant for the presence of foreign forces. In a reasoned *fatwa* he called on the ruler of Iraq to "repent and return to God's way," to put an end to the *zulm* (oppression) and ruin he had brought onto Kuwait and its people. He then spoke about the Saudi government's decision to invite "different nationalities of Muslims and others." That, he said, is a "permissible matter, nay, even a necessity for the kingdom, for the defense of Islam and Muslims and for the protection of the sanctity of the country and the safety of its people." There was a man of "treacherous intent" in Iraq, it was important to "protect the kingdom from all evil."

Ibn Baz's support was echoed by the powerful Hay'at Kibar al Ulema, the Council of Higher Ulema, in a ruling issued ten days after the invasion: "Grave violations and serious crimes have taken place in Kuwait. The guardians of the kingdom have decided to spare it the fate of Kuwait and to ask the assistance of Arab and non-Arab countries." All means of defense, the ulema ruled, were legitimate to guarantee the

[6] The remarks on Saudi Arabia are drawn from my field notes from a two-week trip in late September, early October.

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people "the safety of their religion, their wealth, their honor and their blood, to protect what they enjoy of safety and stability." Prudent men, the ulema knew that this was one of those moments when purity bows to necessity; defense and high politics are the domain of the rulers. This has been the basis of the partnership between the dynasty and the religious class. The ulema of the realm are men of their society; they are men of property and order. They knew the panic of their country and the magnitude of the Iraqi threat. To them fell the task of drawing out the moral horrors and violations of custom and precedent committed by the Iraqis in Kuwait. The business of the state—the dealings with the Americans—was left to the custodians of the state, the key players in the House of Saud.

We should not read into that desert world more purity than is warranted by its history. The Arabs of the peninsula and the gulf littoral are the products of a pragmatic world. They are fully aware of the dangers around them: "We are wealthy people in a neighborhood of paupers. The world around us is getting poorer and poorer and more resentful of us," a man of the Saudi business elite said in a discussion of the American presence. The historical experience of the peninsula and the gulf has left in that area a benign view of the West. No bloody anticolonial struggles have been waged in the region. The neurosis with which the people of the Levant and North Africa approach the West—the dependence and the resentment bred by that dependence—is alien to the temperament of the Saudis and other gulf Arabs.[7] Foreigners had intruded into the world of the gulf Arabs, but they were the prospectors for oil, the technicians who helped wrest a world of prosperity from the harsh bleakness of the desert. From the 1930s onward there was a vast American presence in Saudi Arabia—that of the oil complex. In the lands of the littoral the foreigner was an even more familiar figure. Britons had ruled Aden since 1839; they were the de facto rulers and protectors of the waters and the lands of the gulf.

The Arabs of the gulf have dealt with the West for a long time, but always from within their own world. They were more fortunate than the semi-Westernized Arabs who made themselves over in the image of the West, only to be rebuffed and

[7] I owe this idea to Sheikh Khalid Ali al-Turki, in a series of discussions in Dhahran.

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patronized. Rage against the West does not come naturally to the gulf Arabs. No great tales of betrayal by Western powers are told by the Arabs of the desert. These are Palestinian, Lebanese and North African tales, told in those parts of the Arab world where the West made promises, and where people convinced themselves that they had been let down and betrayed. The unrequited love affair with the West experienced by Christian Arabs of the Levant has no echo in the gulf. The lands of the gulf carry on a vast commercial traffic with the West, but they do so on their own terms. They cross into the foreign world but then return to a cultural universe that is largely intact. Foreigners work in the Saudi realm in large numbers (that is why, said one astute young Saudi, the Saudis wear their traditional garb—to separate themselves from the four million foreigners in their midst). But the foreigners are there for concrete tasks, and it is they who adjust to the outward norms and practices of the place rather than the other way around.

VI

From the town of Takrit in the Tigris valley—a town that in more benign times depended on the making of kalaks, rafts of inflated goatskin—Saddam Hussein rose and reached for it all: mastery of the gulf, establishment of a new center of Arab power in the land between the two rivers. His was the third bid in the post-World War II years to dominate the politics of the Arab/Muslim region. The first was Nasser's, the second was Khomeini's. This third bid could not succeed. It was too cruel, too blunt; its very audacity helped to forge a coalition determined to thwart it. This coalition brought together some of Saddam's former enemies—the Syrian leader Hafez al-Assad—as well as many who had supported Saddam back when he had played as a man of order: the Americans, French, Saudis, Kuwaitis and Egyptians.

In response to Saddam's bid there were indications of the rise of a more assertive Saudi state. The state that had turned temporizing into an art form made some daring choices. It went on the offensive against Jordan and Yemen, established normal diplomatic relations with the Soviet Union, and acknowledged the depth of its relations with the United States. The Saudis and other gulf states could not turn themselves overnight into garrison states. But they hunkered down, and braced themselves for a fight. There had been two ways in the

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gulf world: the Saudi way and the independent, free-lance Kuwaiti way. Kuwait was the loose cannon on deck, more prone to believe in the pieties of Arab nationalism, less likely to toe the Saudi line. Now the gulf states will revolve more tightly than before around the Saudi state. The small quarrels within the gulf world will be submerged. The threat from beyond is more deadly than ever.

There was that old tribal maxim: "My brother and I against my cousin, my cousin and I against the stranger." Perhaps it was always more wishful thinking than reality, but the brutal bid from Baghdad tore this bit of wisdom to shreds. As the Saudis and other gulf states braced themselves to cope with this threat and to keep their world intact—their riches, their autonomy, their distinct political style—they are side by side with the Americans. A few years earlier, in the mid-1980s, the Saudis had begun to go outside the American market for their weapons. They bought Tornado fighter planes from Britain, surface-to-surface missiles from China. They had tired of the congressional battles that attended their requests for weapons. They sought to diversify their sources of supply and to go beyond their American connection. There was a fierce anti-American storm stirred by Ayatollah Khomeini's calls to "authenticity." Then came this crisis, and the "special relationship" with the distant superpower was what saw them through.

An old order has passed in the gulf. There is talk of a "new political order," but no one knows what this new political order might look like. It is clear that there is a great power standing sentry in the gulf—a power that was on the verge of believing that military force is a thing of the past. That power may be overextended, dependent on financial contributions to its operation in the gulf from Kuwait, Saudi Arabia, the United Arab Emirates, Germany, Japan and South Korea. But that power is all that stood between the Iraqi claimant and the societies nearby with all their wealth and resources. The skeptics may say that Operation Desert Shield is something of a rent-a-superpower deal. But the American military presence in the peninsula and the gulf and the cobbling of the American-led coalition were the only viable answers to aggression in an order of states that remains anarchic and vulnerable to the assaults of aggressors like Saddam Hussein.

One thing is certain about this new political order in the gulf: for the foreseeable future the Iraqi state will have to be quarantined and checked. Conceivably a counter to Iraq's

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power could be provided by enlisting the support of the two local powers with an interest in checking Iraq's designs for hegemony: Syria and Iran. These are the two states with the demographic weight and the military potential to match Iraq's power. They should want to do it in pursuit of their own interests. The United States cannot press them into this assignment, try to rush the Iranians into normalcy or turn a blind eye to their ambitions and foibles and those of Syria. This is how Saddam himself rose to become such a threat in the first place: everyone had indulged him because he was seen as a bulwark against the revolutionary turmoil of the Iranian state. At a minimum, though, there should be readiness to accommodate the return of Iran to the more "normal" ways of statecraft.

But even if the Iranians and the Syrians were to play, a buffer must be established between the dynastic states of the gulf and the Iraqi predators who have let loose on these states a whirlwind of resentment and envy. That buffer will have to be provided by American power, or by a multinational force centered around an essentially American core. There may have to be American trip-wire forces in the gulf states, and the assignment could be one of long duration. That American presence could be "re-flagged," as it were, made more politically and culturally palatable by the participation of some Arab and Muslim forces. If the Iraqis were made to disgorge Kuwait, a restored Kuwait would be anxious to have these forces. The Kuwaitis were not spared when they observed what they thought were the "red lines" of their neighborhood. They surely would fare no worse for the presence of foreign forces on their soil. The conventional wisdom has been that Saudi Arabia itself cannot bear the presence of foreign forces and that the best America could do is work with the Saudis on storing large amounts of equipment in the country and building the kind of facilities that would make it easier for the Americans to return to Saudi Arabia whenever the need arose. But the conventional wisdom has been breached by the rise of Iraq and its quest for hegemony. To the extent that the first act of this drama is any guide, the presence of American forces in Saudi Arabia has not been the "defilement" it was thought to be.

Beyond the specifics of a military presence and its desirability, there is a broader matter that has to be understood: the societies of the gulf states are now convenient scapegoats for

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the failures of the larger Arab world around them. A militant theory of Arab nationalism, and a discourse about the "haves and the have-nots," mask the greed of the world around these sparsely populated states with no great military power.

These states have always paid protection money to ward off troubles. But Saddam upped the ante; with his bid he went beyond extortion to outright annexation. The states of the gulf and the peninsula have a memory of a time when they marked their history with famines, when the who's who of the Najdi elite of the Saudi realm went north to labor in the port city of Basra. It was only in 1946 that the emir of Kuwait turned a silver valve wheel on a loading pipe and started the flow of oil that changed the principality by the bay into an object of envy. Before that, the history of that town of pearl-divers and fishermen was a steady diet of hardship and deprivation. Back then the lands of the north had the rivers, the agriculture, the advanced cities, while those in the gulf peninsula relied on locusts for their protein. All this is part of a vanished past now, as the "have-nots" rail against the oil states. For these deep wells of resentment, the gulf states and the outsiders drawn to their affairs ought to be prepared.

There were deadly if half-baked ideas floating in the Arab world when Saddam overran Kuwait—ruinous concepts of Arab nationalism that flew in the face of political reality, atavistic resentments along that ancient fault-line between Sunni and Shia Islam, wild notions about how to break the impasse between the Arabs and Israelis, resentments toward the West born of the very attraction to it, and then that desire to place the blame on the gulf states for everything wrong under the sun. The Iraqi dictator plucked these ideas and resentments and turned them into monstrous instruments. The military means to check him were principally in the hands of the United States and the coalition it soon fashioned. But the battle to exorcise the dreams and delusions that fed Saddam was, at its heart, a battle for the Arabs themselves.

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Stanley Reed

JORDAN AND THE GULF CRISIS

Jordan has carefully nurtured a reputation as the most consistently pro-Western Arab state. Thus, it came as a shock to many to find most Jordanians taking the side of President Saddam Hussein in the gulf crisis, and Western leaders are disturbed by King Hussein's reluctance to join forces against the Iraqi ruler. Given Amman's growing dependence upon Baghdad, however, neither surprise nor irritation is warranted; the gulf crisis has simply thrown into stark relief the extent to which the futures of these two countries have become intertwined, as well as the precariousness of the king's position in his desert land.

Public support for the Iraqi leader is extensive across Jordan and encompasses a wide spectrum of society. Pro-Saddam demonstrations, of which there are often several a day, are even advertised in the once-tame local newspapers. The sponsors of these gatherings run the gamut from the leftist Jordan People's Democratic Party to the extremist Islamic Jihad, but the rallies themselves do not vary much. Speakers vilify the deposed Kuwaiti ruling family, the al-Sabahs, for squandering Arab wealth on gambling and prostitutes; Kuwait's supporters, Saudi Arabia and Egypt, are jeered as traitors; American flags are burned; the crowd chants, "Oh Saddam, we are willing to die for you!"

While more circumspect than his constituents, King Hussein has given the impression that he, too, sympathizes with Saddam. Days after the Iraqi invasion the king told NBC News that Saddam was "a person to be trusted and dealt with." And he called the Iraqi president "an Arab patriot in the eyes of many." The king was also slow to comply with U.N. economic sanctions against his neighbor. While the truck traffic across the Jordanian-Iraqi border is now down to virtually nothing from its pre-invasion 1,000 vehicles a day, Jordan still imports its oil from Iraq, contending that to do anything else before a replacement source is located would be to commit economic suicide. Additionally, Jordan continues to allow daily Iraqi

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Airways flights from Amman, which is now the carrier's only regular destination, in apparent violation of the U.N. ban on commercial and financial transactions with Iraq.

Since the beginning of the crisis King Hussein has busied himself flying about the Arab world, Europe and the United States trying vainly to rally support for an "Arab solution" to the crisis. The king's formula would reportedly trade an Iraqi withdrawal from Kuwait for a package of concessions to Saddam. This deal would include a pullout of Western troops from Saudi Arabia, an unspecified "privileged" relationship between Iraq and Kuwait, and the convening of a Middle East peace conference to consider the Israeli occupation of the West Bank and the Syrian occupation of Lebanon. Such proposals have estranged Amman from Washington and its Arab friends. The Bush administration rejects Hussein's ideas, saying they would reward Saddam for his invasion. American officials also worry that the king's efforts will undermine the U.N. embargo by giving the Iraqis hope that more Arab states will eventually rally to their side. The Jordanians counter that their efforts might have succeeded but for U.S. intransigence and haste to send troops to the gulf.

II

Given the formidable forces arrayed against Iraq, King Hussein appears to be recklessly exposing his kingdom to grave risks. Poor in natural resources and weaker militarily than its neighbors, Jordan has nevertheless thrived through its client relationship with Western powers, such as the United States and Britain, and regional financiers, such as Saudi Arabia and Kuwait. Hussein's current position not only jeopardizes the protection afforded by his relationship with the United States and financial assistance from the gulf states but also risks provoking neighboring Syria and Israel.

To attribute the king's course to fear of subversion or military attack by Iraq would be simplistic, although such concerns must certainly enter his calculations. He could have joined what Jordanian journalist Lamis Andoni described as the anti-Saddam "chorus line" and asked for Western protection, although such a step might have required a crackdown on political freedom in Jordan, given the population's strong pro-Saddam stance.

Behind Hussein's position lies a Jordanian-Iraqi interdependence that has grown deep in recent years. Jordan has become

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so dependent on Iraq as a market for its exports and as a source of cheap oil that destruction of the Iraqi economy by either military means or blockade threatens to destroy Jordan's economy as well. Despite his misgivings about Saddam's brutal style of rule and his erratic behavior, the king had also bet heavily on militarily powerful Iraq as a protector from Israeli aggression. The refusal of the U.S. Congress to permit American arms sales to Jordan over the last decade helped push him in this direction.

Hussein wants to secure his kingdom's future. He also wants to play a weightier role than the military and economic strength of his nation would automatically convey. Contemplating the fall of communism, his frustration with Washington, and his concern about Israeli intentions, he seems to have decided that a close relationship to Saddam was his best bet. He also apparently tired of going against Arab public opinion by cooperating with American and Israeli plans for resolving the Arab-Israeli dispute. Now, playing to the emotions of his own people, Hussein is enjoying the results. Demonstrators raise his picture along with Saddam's at the rallies, including those of the left, whose leaders the king had imprisoned. Hussein is also acting out of frustration with the United States, which he blames in large part for the failure of his own efforts to find a solution to the Palestinian problem.

Jordan has always been in danger of splitting along demographic lines, but the gulf crisis has united the country. Jordanians of Palestinian origin, who make up more than half of the 3.1 million population, like Saddam's anti-Israeli rhetoric and ask why the West is so concerned about Kuwait when it has done little to persuade Israel to withdraw from the West Bank. Non-Palestinian Jordanians, or East Bankers, ask the same question. Many older East Bankers cling to Baathist political beliefs from their school days in Baghdad or Damascus, and Saddam has given them hope that a strong, unified Arab nation can be a reality. Finally, there is little Jordanian sympathy for Kuwait because many of the hundreds of thousands of Jordanians who have worked there now say the Kuwaitis were arrogant, even cruel, masters.

III

Amman's ties with Baghdad first blossomed during the Iran-Iraq War. King Hussein saw the Iraqi army as a check on the Ayatollah Khomeini's attempts to export his Islamic revo-

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lution to Arab countries. The United States and other Western countries backed Saddam for much the same reason. Hussein let the Iraqis, whose narrow outlets to the gulf were blocked during the war, use Jordan as a lifeline. Throughout the war a vast fleet of trucks roared up the desert road from the Jordanian port of Aqaba to Baghdad bringing vital food and supplies. Tanker trucks hauled Iraqi oil to the sea.

Gradually the economic relationship became formalized with a lending facility at the Jordanian Central Bank, which financed Jordan's exports to Iraq in return for Iraqi oil and cash payments of $12 million a month. Jordanian businessmen and growers targeted the Iraqi market with such consumer goods as pharmaceuticals, detergents and clothing. In 1989, 40 percent of Jordan's non-phosphate exports (about $190 million) went to Iraq. The trucking of wheat, corn and industrial imports from Aqaba to Baghdad brought in another $250 million. These are significant numbers in a $4 billion economy. It is little wonder that one hears pro-Saddam sentiment not only from Amman's political activists but also from such pillars of respectability as the heads of the Jordanian chamber of commerce and the businessmen's association.

The crisis seems destined to have devastating effects on an economy shaped by a stringent International Monetary Fund (IMF) program last year, as it struggles to meet its debt obligations. The damage will go well beyond the loss of the Iraqi market. If Jordan obeys the sanctions against Iraq, it may have to forget the $310 million Baghdad now owes in import credits, and it will lose $50 million a year in Iraqi aid. An additional $2.6 billion that the Jordanians guaranteed in third-party loans to Iraq would also be at risk. If Amman were to stop purchasing Iraqi oil, it would face skyrocketing fuel costs estimated at an additional $280 million annually, if oil prices average $30 per barrel. Jordan has no significant oil output of its own and now obtains Iraqi oil at a fixed price of $16.40 per barrel.

Jordan has also lost its second-largest export market, Kuwait. Arab displeasure may bar Jordanian goods from other markets in the region. Finally, Hussein's stand may cost Jordan much of the $550 million in aid flows it is accustomed to receiving from gulf states each year, as well as some $600 million in remittances from the 315,000 Jordanians working in those countries. Including dependents, some 850,000 Jordanians, most of them of Palestinian origin, live in Kuwait, Saudi

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Arabia and the smaller gulf emirates. If they were to be sent home, Jordan, which has already been taxed by some 600,000 refugees from Kuwait and Iraq, could be overwhelmed.

The Saudis have already shown their anger with Jordan by cutting off the flow of the Tapline pipeline, through which the Jordanians were to receive crude to replace Iraq's, saying that the Jordanians were behind in payments. They have also recalled their ambassador and are refusing to buy Jordanian goods. Particularly galling to the Saudis may be Hussein's wish to be called by his great-grandfather's title, Sharif—suggesting that he harbors ambitions to return to his family's former domain in Mecca.

In a request to the United Nations for help, Jordan estimated the potential damage to its economy from the gulf crisis at $2.1 billion. The World Bank projects the losses at $1.5 billion annually. Whatever the actual figure, a downturn of this magnitude, which could raise unemployment to 35 percent from the present 15 percent, has serious potential for destabilizing the country. Without large injections of aid, Amman will be unable to finance the imports it anticipates or come up with the funds to meet an estimated $1 billion per year in debt service obligations in the early 1990s. The once rock-solid Jordanian dinar, which has already lost nearly half of its value against the dollar in the last two years, could collapse.

In the panicky atmosphere following the Iraqi invasion of Kuwait, worried depositors drained more than $45 million in foreign exchange and 124 million dinars from Jordan's banks in the first three weeks of August. At one bank the drawdown was $10 million per day in local currency. Although the currency black market is becoming more active, the Central Bank has managed to hold the exchange rate of around $1.50 per dinar, but banks are reluctant to exchange local currency for dollars, and the local American Express office ran low on its supply of travelers checks. In September the government began rationing milk, sugar and rice for the first time since the 1940s. The government is taking drastic measures to save fuel, including cutting its workweek from six days to five and requiring that street lights and commercial signs be turned off late at night.

Local businessmen report problems that will not be solved by foreign aid injections. A local meat canner with plans to expand into the big Egyptian market said that the Cairo

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bureaucracy had suddenly started throwing up obstacles to his product's introduction. The phosphate industry, Jordan's largest earner of foreign exchange, is endangered because of higher shipping rates and the reluctance of ships to call at the port of Aqaba.

The economy was already vulnerable after years of managing economic policy as though Jordan were an oil state. Indeed, capitalizing on its proximity to the gulf, Jordan averaged an economic growth rate of nine to ten percent from 1973 to 1981. Two-thirds of its gross domestic product came in the form of aid and workers' remittances from the gulf states. These two sources of finance peaked at over $1 billion each in the early 1980s. The Jordanian government spent heavily on social services, infrastructure projects and military equipment. It also kept the value of the dinar high, which encouraged remittances and discouraged development of local export industries. The strong dinar fostered an import boom. Mercedes Benz became the most common automobile seen in Amman. As Jordanians working in the gulf poured their earnings into new homes, the once-sleepy capital expanded so fast that many residential streets are yet unnamed.

Jordan also poured money into educating its young people for careers as doctors, engineers and civil servants in the gulf, where they could earn high salaries and save money to send home. Meanwhile, more than a hundred thousand foreigners were allowed in to perform less desirable jobs in Jordan. Of these foreigners, Egyptians constituted the largest contingent, employed in the construction industry and on farms. Filipinos were a particularly visible group, working as waiters and waitresses in restaurants and as maids and houseboys in the homes of the wealthy.

Amman's strategy fell apart in the mid-1980s when oil prices fell and the gulf economies contracted. As the gulf countries laid off Jordanians and declined to hire new college graduates, remittances fell from a peak of $1.2 billion in 1981 to $623 million in 1989. The gulf states also slashed aid to Jordan from a high of $1.2 billion in 1981 to less than $400 million in 1989. Jordanians blame these cutbacks in large part for their recent economic problems, and they have probably played some role in forming Jordanian attitudes toward the Iraqi takeover of Kuwait.

Yet despite the country's reduced means, Amman failed to curb imports, which in 1988 amounted to nearly half of gross

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national product. Instead, it borrowed heavily until it ran out of money in early 1989 and was forced to slap a moratorium on imports of cars, electronics and appliances. The country recorded negative economic growth in both 1988 and 1989. By early 1989 Jordan had exhausted its foreign exchange reserves defending the value of the dinar. Unable to service its $8.4 billion debt, Amman was forced to conclude a standby agreement with the IMF.

IV

The slowing of the economy coincided with, and probably encouraged, mounting dissatisfaction with the regime. For the most part the complaints focused on Prime Minister Zaid Rifai and his fellow ministers. In 1987 a so-called black file circulated in Amman containing copies of official documents purporting to show widespread corruption in Rifai's government. Rifai had made himself unpopular by clamping down on the local press, banning some outspoken local journalists from publication and taking away their passports. He also received much of the blame for an ill-considered and unsuccessful campaign in 1986–87 to increase Jordanian influence in the West Bank at the expense of the Palestine Liberation Organization (PLO). Some of the toughest criticism of Rifai's government came from his predecessor, Ahmed Obeidat, whose reputation for incorruptibility made him a natural rallying point of the opposition.

While the rules of the Jordanian political game put King Hussein above public criticism, some members of the elite were bold enough to blame the monarch for the government's shortcomings. After all, it is the king who appoints and removes prime ministers. Some Jordanians also complained that the king was running a one-man show and not doing enough to build institutions that might hold Jordan together after his departure. Many believed the king was treating his subjects like children and thus stunting their political growth.

One person who went public, albeit cautiously, with such thoughts was Layla Sharaf, widow of the respected former Prime Minister Abdel Hamid Sharaf. Her efforts as information minister to encourage a freer and more credible press came to an end with a published letter from the king in January 1985, which complained that "a number of our newspaper writers have been launching attacks . . . on our social institutions and their customs and values." He was

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"weary of a continued downtrend to frustration of which we see outlines in the newspapers every morning." Sharaf took the letter as an exit cue, but she warned in a widely circulated resignation letter that "a certain degree of free thinking and free expression" was necessary for Jordanian citizens to achieve healthy "cultural and theological development."

The situation exploded in April 1989, when the government increased prices on fuel, cigarettes, telephone services and electricity in keeping with the IMF agreement. Rioting broke out in the southern part of the country on April 18 and continued for five days, leaving eight people dead and 50 injured. The heads of the professional associations sent a harsh telegram to the king's younger brother, Crown Prince Hassan, who was serving as regent while the king was on a trip to Washington, and demanded a change in both the style and substance of government. "If the situation remains the way it is," the message warned, "the king's credibility, which constitutes the basis of national unity, will be undermined."

The riots did not reach Amman but the king took them to heart, not the least because he considers the bedouin strongholds of southern Jordan the bedrock of his support. They furnish a disproportionate number of army and intelligence officers. Upon his return, Hussein dismissed Rifai, replacing him temporarily with his cousin, the former commander of the armed forces, Zaid bin Shaker. Later, bin Shaker was replaced by Mudar Badran, a former prime minister and intelligence chief.

While there was little the king could do to improve economic conditions in the short run, he reconsidered his own restrictions in the political arena. He gave greater freedom to the local newspapers, which Rifai had brought under tight control. In November 1989 he also held the first parliamentary elections in 22 years. While the Muslim Brotherhood was the only legally recognized political organization to contest the election, King Hussein allowed leftist organizations, including the communists, various branches of the Baath Party, and the Jordanian wings of the Popular Front for the Liberation of Palestine and the Democratic Front for the Liberation of Palestine, to put forward candidates and hold political meetings.

The results were something of a shock to the king, as well as to the world. Fundamentalists won 35 of the 80 seats, while leftists also did well, electing ten members, including a communist and one representative each from the DFLP and PFLP.

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The remainder went to a smattering of wealthy individuals, bedouin sheikhs and former officials.

While generally praised as remarkably free and fair, the elections were skewed in one important respect. They were largely an East Bank affair. Only 8 percent of the 556 candidates were of Palestinian origin. Palestinian voter turnout was also lower than the overall 40 percent total. There are several reasons for this phenomenon. Jordanian electoral districts are drawn to favor conservative rural candidates while reducing the influence of Amman, where most Palestinians reside. Although some prominent Jordanians of Palestinian origin were elected, such as former Foreign Minister Taher al-Masri, many leading Amman-based Palestinians, who are members of Palestinian organizations or commando groups, were blocked as candidates by both the Jordanian authorities and the PLO. Beyond such institutional obstructions, many Palestinians feel they should not participate in Jordanian politics, lest such activity be interpreted as forfeiting their right to return to Israeli-occupied territory and determine its future.[1]

V

A year later, the elections now look like a political plus for the king. While he must concern himself with the growing strength of fundamentalists, Hussein has long enjoyed a fairly comfortable relationship with the Muslim Brotherhood, using them as a check on the left. So far the fundamentalists' presence in parliament has achieved them little. Attendance at Friday prayers has increased over the last few years and more women wear head scarves on the streets of Amman, but Jordanian society remains relatively open and tolerant.

Although the king has received credit for allowing greater political expression, he has not given up much power. He retains the authority to appoint the prime minister as well as near-total control over foreign policy. In a sense King Hussein was able to use increased political freedom as the coin to buy silence for an economic austerity program that until August had helped stabilize the dinar and rebuild foreign exchange reserves. In addition, if he survives the current crisis, the 55-year-old king has gained himself time to prepare the way

[1] See articles by Lamis Andoni in *Middle East International*, April 28, 1989 and Nov. 17, 1989, and the *Financial Times*, Nov. 1, 1989.

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for his eventual succession by other members of his family, beginning with his 43-year-old brother, Crown Prince Hassan. While some insiders say the Oxford-educated Hassan is too intellectual to make a good king, he is articulate and experienced and has performed well as regent during his brother's absences.

Over the longer term, the king may find that he has let a dangerous genie out of the bottle. The collection of fundamentalists, Baathists and other leftist groups who dominate the parliament are not the sort of nation-builders Jordan needs. Their political loyalties are less to Jordan than to Islam, the broader Arab world or, perhaps, even Iraq and Syria. The political atmosphere in Jordan today reminds some veteran observers of the late 1950s, when stronger regional powers were able to manipulate Jordanian politics and help inspire a coup attempt against Hussein in 1957.

In those days Egyptian President Gamal Abdul al-Nasser inspired fiery young men across the Arab world to overthrow more traditional leaders. While Saddam Hussein's charisma pales in comparison to Nasser's, his influence does reach into Jordan. In August droves of Jordanians signed up as "volunteers" to fight in the gulf on Iraq's behalf. The Iraqi Embassy in Amman is a beehive of activity with a great many people going in and out. Amman is rife with rumors of financial incentives from Baghdad, but these are hard to confirm.

The composition of the parliament also seems to limit the king's options. For instance it would complicate any new peace initiative toward Israel. Many parliamentarians are idealists who have little experience with compromise. Any suggestion that the king was prepared to settle for less than complete liberation of the occupied territories would create an uproar.

The king, however, had given up on the peace process for some time anyway. In fact pessimism about the prospects for a settlement with Israel helped bring Hussein closer to Saddam. The Bush administration's efforts to promote talks between Israel and its Arab neighbors seemed to come to a standstill when the Likud government came to power in April 1990. Hussein had greeted the Bush administration with great optimism but grew disappointed at its inability to cajole Yitzhak Shamir into going ahead with his own plan to hold elections in the West Bank. The collapse of communism and the weakening of Soviet influence in the Middle East also seemed to leave the United States with unrivaled power in the

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Middle East, and so eased pressure on Israel to come to terms with the Palestinians.

At the same time the Jordanians watch with trepidation as over 17,000 Soviet Jews a month pour into Israel. This inflow rekindled deep-seated Jordanian fears that expansionist forces in Israel will push the West Bankers into Jordan, swamping the already fragile economy and upsetting the delicate demographic balance. Skeptical of American will to restrain Israel and angry at Congress for voting against any significant shipments of new American arms to Jordan, Hussein has in the last two years edged closer to militarily powerful Iraq for protection. Saddam, with his plans to develop nuclear weapons, may also have seemed the only Arab leader with a chance of seriously challenging Israel in the long run.

VI

Hussein and his small coterie of advisers, including Crown Prince Hassan, Foreign Minister Marwan Qassem and political adviser Adnan Abu Odeh, put more effort into devising long-term strategy than most Middle Eastern leaders. The atmosphere at the royal compound, a group of surprisingly modest pink-stone buildings perched on a hill in Amman, is less one of pomp and circumstance than that of a research establishment.

The royal circle considers the unsettled Palestinian question to be the greatest threat to Jordan's stability. From the Israeli invasion of Lebanon in 1982 until the summer of 1988 King Hussein devoted much of his energy to maneuvers aimed at brokering negotiations between the PLO, Israel and the United States. The interest of the United States and the Israeli Labor Party in a Jordanian solution, meaning some sort of joint Palestinian-Jordanian governing arrangement in the occupied territories, encouraged these efforts.

Through the end of 1986 Hussein focused on persuading the PLO to recognize Israel and thus fulfill U.S. conditions for an American-Palestinian dialogue. Frustrated at Yasir Arafat's reluctance to play his recognition card, Hussein angrily broke off his efforts in February 1986 to work with the PLO.

The king began a controversial campaign aimed at residents of the West Bank and Gaza to choose Jordan over the PLO as their representative. "The Palestinians must make a decision," he said later that month. "Are they happy with the creeping annexation of their land and their possible expulsion from

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Palestine? If they're unhappy, what do they want us to do about it?"

The Jordanians employed typical Middle Eastern tactics to put muscle into this effort. They financed a weekly Jerusalem newspaper, *an-Nahar*, to promote the views of the "silent majority" of Palestinians who supposedly preferred Jordan. They expelled Arafat's late right-hand man, Khalil al-Wazir, from Amman, and harassed and intimidated West Bank notables crossing the bridges between the West Bank and Jordan. Jordanian intelligence encouraged a discredited former PLO commander, Atallah Atallah, to hold meetings in Amman denouncing Arafat and challenging the PLO chief's legitimacy. On a more constructive note, Jordan drew up a $1 billion development plan for the occupied territories that surprised many observers by encompassing not only the West Bank but also Gaza, before 1967 under Egyptian rule.

At the same time the king courted the Israeli Labor Party and its leader, Shimon Peres. The Jordanians hinted that they were prepared to enter talks without the PLO, but Peres was unable to bring along his Likud coalition partners to agree to the international conference that Hussein was proposing.

Still, Hussein was doing rather well until the Palestinian uprising came to Arafat's rescue in December 1987. Efforts to discredit the PLO were making headway. The Arab summit held in Amman in November 1987 offered Hussein a golden opportunity to both snub Arafat personally and relegate Palestinian problems to the back burner in favor of the Iran-Iraq War. He appeared to be mustering support from such key Arab states as Syria and Iraq to move ahead without Arafat.

Hussein has been the big loser in the intifada. Although Arafat did not start the uprising, he managed to gain considerable control over it, and it helped restore his standing in the Arab world. Demonstrators and leaflets made clear how little popularity the king enjoyed in the occupied territories. In September 1986 a poll sponsored by ABC News and *Newsday* reported that a meager three percent of respondents preferred Hussein as their leader. On July 31, 1988, the king gave up the fight, at least for the time being, and announced that he was cutting Jordan's ties to the occupied territories and ceding any claims to them to the PLO.

The move seemed to have several aims. Hussein wanted to challenge the PLO to act as a responsible representative of

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Palestinians rather than a critic of others' efforts to advance the peace process. He also wanted to force the United States and Israel to face up to having to deal with the PLO. Finally, seeing little chance of Jordan playing a significant role in the peace process in the near future, he wanted to cut his own losses.

VII

Although King Hussein and his inner circle doubtless think Saddam's invasion of Kuwait was foolish, they are still trying to salvage something from it. The immediate goal is to rescue Saddam and Iraq. But the king is also trying to win himself an influential role in the new Middle East order that emerges after the crisis. He is trying to take the lead and focus attention on the festering problems in the area, including the Israeli occupation and Arab economic inequalities. These issues have won Saddam Hussein sympathy not only in Jordan and the occupied territories but also in Syria, Yemen and much of North Africa. The king is betting that there will be a stronger backlash to foreign intervention than the United States anticipates, and that it can be made to work to Jordan's benefit. This idea explains his willingness to host a mid-September conference, a month after the Iraqi invasion, of Arab radicals and leftists, including the PFLP's George Habash and the DFLP's Nayef Hawatmeh. The two men returned to Jordan for the first time since they were driven out in 1970 in the Black September fighting between Palestinian commandos and the Jordanian Army.

The king can also take some comfort in his old rival Arafat's position, which is even more pro-Saddam than Jordan's. Their similar stances mean that Arafat is unlikely to be able to challenge Hussein openly in Jordan for some time. At the same time, Arafat's current estrangement from the United States, Egypt and Saudi Arabia may lead him to try once again to work out a joint position with the king. Arafat has been a frequent visitor to Amman in the last few weeks. If there are to be renewed efforts to advance the Arab-Israeli peace process once Iraq has withdrawn from Kuwait, both Hussein and Arafat could see their way to begin undoing the damage caused by their sympathizing with Saddam; it is hard to see how the peace process could be revived without those two leaders' participation. On the other hand, peace efforts will be complicated by American—and Arab—annoyance with Hus-

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sein and Arafat. The gulf crisis has also strengthened the hand of Israeli hard-liners and their American supporters, who argue that no near-term settlement with the Arabs is possible that would enhance Israeli security.

Some senior Jordanians worry that, with emotions running so high, Jordanians are being denied the sort of sound information needed to come to an intelligent consensus on an approach to the gulf crisis. Not only are the local newspapers slanted in Iraq's favor, they rarely admit the possibility of an Iraqi defeat. Jordanian minds are being filled with rumors, misinformation and fantasy. In a lecture at the Royal Cultural Society in August, for instance, Youssef Kawash, a retired general, told the audience that Saddam was "unbeatable at this point."

One senses in Amman that, given the turn of events, the domestic situation could easily get out of hand. The most immediate danger appears to be on the economic front. Unless there is a quick end to the gulf crisis, many Jordanians are likely to see their standard of living sharply reduced. Domestic strife could easily erupt, as it did in 1989. While neither the Islamic fundamentalists nor the leftists appear well enough organized to topple the king, he could quickly lose the credibility he has amassed as the glue that holds the country together. The final arbiters in Jordanian politics would be the army and, to a lesser extent, the intelligence services. These organizations have always been almost fanatically loyal to Hussein in the past. But those links may be weakening with a gradual shift to urban and Palestinian recruits, and the poor economic conditions in the tribal areas of the country.

Jordan would also be at risk if war broke out in the gulf. Now-peaceful demonstrations might turn ugly, with angry crowds attacking Western and gulf embassies and other interests of foreign powers. The king might be forced to choose between severe repression, which would cost him considerable popularity, and allowing an unbridgeable gulf to open between Jordan and its former supporters. The possibility also exists that Jordan could become a battleground between Iraq and Israel. If Jordan sided openly with Iraq or the Iraqis moved into Jordan to draw the Israelis into the gulf conflict, Israel might be tempted to go into Jordan and even seize and hold strategic territory.

Hussein's strongest card may well be concern that his successor would probably be less desirable for nearly all

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interested parties. Most Jordanians express the fear that in Hussein's absence Jordan might dissolve into factional strife, like Lebanon. Such worries will undoubtedly work in Crown Prince Hassan's favor in the event of Hussein's departure.

An unstable Jordan would not be in the interests of the West, Israel or Saudi Arabia and the other gulf states. While the king has never been willing to stick his neck out as far in negotiations with the Israelis as they and some Americans have wanted, he has still played a useful role as a buffer between Israel and the more radical Arab states. His pragmatic example has certainly contributed to the more realistic approach to Israel that Arafat has taken in recent years. While Jordan has divorced itself from the peace process for now, it is difficult to envision a settlement in which Amman does not receive a key role—if only to reassure Israel and the United States. Involving Jordan would be much more difficult if chaotic conditions prevail in the country or if the king were replaced by a less experienced and less cooperative leader.

The news out of Amman may, however, be irritating enough to cause Jordan's past supporters to reevaluate their interests. Judging from the last year or so, Jordan seems to be taking on a new identity that is more in tune with Palestinian and Arab nationalist thinking and far less pro-Western.

While this image may more accurately reflect the urbanized, relatively prosperous country that Jordan has become over the last two decades, one wonders whether it will be enough to carry it through the current crisis. Jordan, after all, depends on substantial external economic and political support. While some in Washington may appreciate the bind in which King Hussein finds himself, the U.S. Congress and the gulf states do not believe that Amman currently merits their support. Such ill feeling leaves Jordan vulnerable to economic disaster or even an attack by one of its neighbors. The question is whether King Hussein and those who would like to support him can find a way of reconciling their interests—through renewal of the peace process or otherwise—before a calamity occurs.

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Edward L. Morse

THE COMING OIL REVOLUTION

With one swift stroke Iraqi President Saddam Hussein's takeover of Kuwait seems to have overturned the rules of international oil. No matter how the chain of events triggered by Baghdad's military aggression unfolds, the Organization of Petroleum Exporting Countries (OPEC) will no longer be what it once was. Commercial ties between oil-producing countries and their main markets in the consuming industrial countries will be transformed, investment patterns will shift radically, and energy policy in the United States will take on a new meaning.

Saddam Hussein is not responsible, however, for more than accelerating an already rapid pace of change that was transforming the petroleum sector even before last summer. The immediate repercussion of the international embargo of trade with Iraq and occupied Kuwait was a doubling of the price of oil. But even without the recent turmoil in the Middle East, higher oil prices—about $40 a barrel—were almost a certainty for the late 1990s.

No one can dispute that the unfolding of events in the gulf will have a significant short-term impact on oil markets; Iraq's invasion of Kuwait has made it virtually impossible to return to the oil order of the past. Any outbreak of war will obviously affect more than oil prices, as will any continuing U.S. military presence in the gulf, where the legitimacy of traditional political regimes has been sorely challenged. Whether Saddam Hussein will survive the U.N.-imposed embargo, or a war, and whether either will result in an Iraqi withdrawal from Kuwait remain open questions. In any case, the world's new petroleum arrangements will be influenced far less by the denouement of the military situation in the gulf than by developments in the oil arena itself.

The emerging structures of the international petroleum industry make for a more moderate price environment in the

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long term than was the case in the 1970s. But fostering such an environment will require major policy shifts in key countries, especially the United States. We are entering a new political era in oil matters that requires international cooperation not only in maintaining political stability but also in sustaining tighter ties between oil-producing and oil-importing countries. Such cooperation will be difficult at best. It could turn out to be nearly impossible if, as the decade progresses, the United States is seen as a country that uses military force in order to sustain the appetite of its population for low-priced fuels.

II

Saddam Hussein's power grab came at a time when the major post-World War II institutions, which molded the environment in which the international oil system was embedded, were undergoing radical change.

The Western liberal economy was predicated on the separation of high politics (i.e., the use of force and other security concerns) from low politics (the economic rules whereby participating nations skirmished with one another principally over *the rules of distribution, but in which everyone basically* agreed that all parties could benefit from an ever-increasing economic pie). The use of force was permissible outside this "lower" realm, but it was deemed illegitimate and too costly to use within it. Iraq's takeover of Kuwait and its threatened domination of other key oil-producing countries in the Persian Gulf breaches this wall between high and low politics over issues of international distribution.

Without question the separation of these two realms was always fragile, and it was frequently tested—most notably, in this context, a decade ago when Iraq attacked Iran. Saddam Hussein's continuing pursuit of "higher" goals and stakes, seeing the oil sector as instrumental to reaching them rather than an end in itself, finally brought to a head the need to rethink the best institutional format for regulating oil affairs.

Working hand in hand with the liberal world economy in shaping the international petroleum sector was the Cold War, which had significant impact on the oil system. OPEC was in a sense a child of the Cold War. It had freedom to act independently because the Cold War's various security umbrellas allowed it to do so.

The split between the United States and the U.S.S.R. and their respective allies kept the oil-exporting countries operat-

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ing within the "zone of peace" established by the Western powers after World War II. The fears of the United States and its allies of Soviet efforts to control Middle East strategic supplies were mirrored in the internal politics of most oil-producing countries, whose conservative regimes were, with rare exception, anti-Soviet. By and large, the Soviet Union and the other centrally planned economies were parasites on the oil system. Although the Soviet Union is the largest oil-producing country in the world and, today, the second-largest oil exporter, it was largely isolated from the rest of the oil arena. Oil exports, however, were the Soviets' principal link to the world economy and the country's single most important source of foreign exchange. Moscow therefore had to pay close attention to international oil developments; but it was only a passive participant, a beneficiary of actions taken by others.

It was unclear until recently just how helpful the Soviet Union had been in restraining its own clients. In the old Cold War days Iraq would probably not have had the freedom to move against Kuwait. The Cold War guaranteed that any efforts by a regional power to secure a local hegemonic position would be met by countervailing power. Ironically the end of the Cold War facilitated Baghdad's own miscalculation of the international response to its invasion—there is good reason to believe that Iraq thought the response of the United States and the rest of the world would be little more than verbal.

The oil sector, largely because of OPEC's success over its thirty-year history, has also been the key institutional embodiment of the North-South divide. As a result oil has played an important symbolic role in the redistributive issues of the world since the 1960s.

Before 1970 the only significant oil-producing countries shut off to Western companies were the Soviet Union and Mexico, whose nationalizations of foreign firms were associated with national revolutions. By the end of the 1970s nationalizations and national monopolies over exploration and production had become the norm in Algeria, China, Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. New national oil companies were formed virtually everywhere but the United States; during the 1970s some 70 percent of the oil reserves of the world was nationalized. And, for practical purposes, the majority of developing countries that still allowed foreign firms to operate within their borders severely restricted the scope of their activities and their profitability.

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Yet this aspect of the international petroleum order was also being challenged by events in the 1980s, which were rapidly reintegrating the oil-producing countries into the oil sector and eroding the powerful force of redistributive politics.

III

Some of the revolutionary storms within the oil industry are obviously rising from the Middle East. But others are gaining their initial momentum in Europe, and in the Soviet Union, where oil output recently peaked at over 12 million barrels a day, about 20 percent of global output and almost 50 percent higher than the next biggest producer, the United States. Two related changes unfolding in the U.S.S.R. are beginning to have an enormous impact on the international petroleum sector. Soviet oil production is declining, perhaps precipitously, after having increased by 25 percent during the last decade. This decline is already having an impact on world markets, where Soviet exports decreased by ten percent last year. And the Soviets may have no choice but to reduce supplies to the West. This is only one indication of a tightening market.

In order to slow and eventually reverse this decline in output, the Soviet Union, which nationalized its oil industry nearly three-quarters of a century ago, is now reopening its territory to foreign firms for resource exploitation. Reopening the Soviet oil sector portends a phenomenal reversal of the sometimes rampant resource nationalism of the past twenty years.

This process is being repeated elsewhere; it has already taken place in Algeria, China and Vietnam. Venezuela has announced it will soon reopen key parts of its oil sector to foreign firms. Mexico is trying to find an acceptable political formula to have private contractors restart drilling. Iran has already found ways to bring in foreign drilling companies and is expected to increase its reliance on foreign companies. Iraq was about to announce at least two field-development contracts involving foreign companies when the invasion interfered. There are indications that, despite official denials, Saudi Arabia has been in negotiation with Japanese and other national firms to accelerate development of its resources and explore for new supplies, possibly in exchange for joint-venture marketing arrangements. And while, before the Iraqi attack, it appeared that Kuwait would be the only non-

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concessionary country left in the world, now even Kuwaiti officials indicate that "everything is up for discussion," pending their return.

One impetus away from state monopoly control over the oil sector has been the lack of financial and other resources. The low oil prices that prevailed throughout the 1980s have unmasked the nationalistic claim of virtually all oil-producing nations that they could develop oil resources efficiently on their own.

The maturation of the oil industry in oil-exporting countries reinforces this trend away from resource nationalism and toward internationalization. The 1980s witnessed stunning growth in the international activities of some national oil companies in non-concessionary countries. Driven by the internal logic of the oil industry during a period of low prices, the state oil companies of Abu Dhabi, Kuwait, Libya, Mexico, Nigeria, Saudi Arabia and Venezuela began to invest heavily abroad in refining and in petroleum product distribution networks. Driving this radical internationalization of state firms that had hitherto stayed within their own national borders were low prices, fierce competition for markets and the need to secure outlets for large volumes of crude oil.

Once governments nationalized the oil reserves of the international majors, they cut themselves off from the international distribution chains of large companies like British Petroleum, Exxon, Mobil and Shell. Moreover, in the low-price conditions of recent years, these companies no longer had to buy as much oil from outside their own systems. But the very act of entering the international arena also forced many companies from the developing-country exporters to confront the need for reciprocity in investment relations—an issue they easily avoided in the 1970s. Once that issue was raised it was probably only a matter of time before they too would reopen investment opportunities in their own domestic oil sectors.

Politics are pushing in the same direction. One lesson of the Kuwait invasion may well be that national security is enhanced rather than diminished by enabling foreign firms to take a robust equity position in one's own oil sector. Foreign government protection of its national citizens, including its corporations, can be a convenient instrument of national security policy.

Evidence for a coming boom in the petroleum and natural gas sectors can also be found in two other phenomena:

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enhanced market power being gathered by a handful of oil-producing countries—mostly in the Middle East—and the extraordinary evaporation of spare production capacity over the past few years that made replacement of lost Kuwaiti and Iraqi barrels so difficult this past summer. The upshot will almost inevitably be a supply squeeze in the next two to three years, and a renewed explosion in oil prices that no government is well prepared to confront or to manage.

The signs of a turning point in the oil industry's business cycle were clear well before the Iraqi invasion of Kuwait. World oil prices have been moving up, at least in nominal terms. In 1986–87, for example, benchmark West Texas International crude sold between $12 and $16 a barrel; before mid-summer 1990 the range had increased to $18 to $23 a barrel. Oil industry cash flows and investments in new exploration were also recovering, with the latter up a hefty 40 percent worldwide during the same period.

More important, private oil company upstream investments in exploration and oil field development were higher in real terms than at any time since the price crash of 1986. Capital expenditures were also shifting away from the acquisition of oil reserves owned by other companies, from paying past debts and from developing reserves discovered in the late 1970s and early 1980s, toward the leasing of new, unexplored acreage and the drilling of an increasing number of wildcat exploration wells (although away from mature, high-cost areas like the United States and Canada).

The transitional period between the oil industry's deep recession of the past few years and its coming boom is bound to be bumpy, and it is being hastened by the recent Middle East crisis. We can expect upward and downward price gyrations over the next couple of years. Short-term market perturbations are bound to continue to haunt the oil sector as it moves from a period of sustained weakness and oversupply to one of tightness and price increases, with the world market testing the limits of the industry's capacity to produce oil.

IV

It is crucial to understand what happened to oil supplies in the past twenty years. During the 1970s oil prices escalated at an unprecedented rate and to previously unheard-of levels, from about $1.50 a barrel at the beginning of the decade to nearly $40 a barrel by the decade's end. As a result, most OPEC

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countries nationalized the reserves of the international companies. Those countries both inside and outside of OPEC that did not nationalize the industry severely restricted foreign company activities and raised the taxes they had to pay. Investments in new exploration were thus focused outside OPEC. The impact of this concentration of new exploration—and of some major new discoveries made as the 1960s came to an end—is now obvious: non-OPEC production increased significantly well into the 1980s. Free-world oil output outside of OPEC increased from 20.7 million barrels a day in 1980 to 26 million in 1987—a rise of 30 percent—and has stayed at that level ever since. In the same period the Soviet Union, China and other Eastern countries boosted their output from 12.5 million barrels a day to 15.5 million, an increase of 25 percent.

The repercussions of this surge in new output were profound. OPEC exporters lost market share to non-OPEC producers and they lost in absolute levels of sales because the total oil market was shrinking. Consumption fell by 5.4 million barrels a day in 1985 from its high of 64.5 million in 1979. The annual average of OPEC's total output fell from 31 million barrels a day at the beginning of this decade to a low of 14.5 million in 1985, an extraordinary loss of more than 53 percent. Demand, however, has now rebounded completely and hit a record level last year at about 64.7 million barrels daily. While peak OPEC output has recovered, it is still 23 percent below its high more than a decade ago.

Worsening OPEC's plight were substantially lower prices and volumes in the mid-1980s. Earnings for the group, without adjusting for inflation, fell from a level of about $200 billion in the early years of this decade to less than $70 billion in 1986. They were about $100 billion in 1989 and are likely to reach only $150 billion this year, despite the 100 percent run-up in prices last summer.

With depleted income and rising social and other domestic needs, it is no wonder that exporting countries and OPEC by and large failed to invest in new oil-production capacity during the last ten years. Standing at nearly 39 million barrels a day in 1979, before the ouster of the shah of Iran, output capacity dropped to less than 27 million barrels in 1988. Thus while OPEC was producing at 58 percent of capacity in 1985, recent levels, even before last summer's events, were closer to a much more precarious 85–90 percent.

As for demand, high prices in the 1970s had a pronounced

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impact on the use of oil, which actually declined worldwide during the early 1980s. The reasons go well beyond the economic slowdowns that accompanied rising oil prices in the 1970s. They include the substitution of other fuels for oil, conservation and investments in new energy-saving technologies. Equally profound was the impact of demographic factors in the United States and Western Europe, whose aging populations led to slowdowns and even reversals in demand for new housing, new automobiles and driving time. (Older drivers do not use cars as much as those 18 to 35 years old, and the number of people in the younger age groups in industrial countries declined during recent years.) This structural demographic factor has been too readily ignored. Another era of demographic growth in the United States is set for the 1990s and this, too, will profoundly affect the supply-demand balance.

V

What are the prospects for the global supply-demand balance in the 1990s?

If the major economies of the world do not enter a deep and prolonged recession, oil demand is poised to rise steadily. In some parts of the world the increase could well be five percent annually—a rate that has not been seen since the early 1970s. The reasons are simple. Higher per capita income combined with high rates of economic growth in some newly industrialized countries will inevitably keep the rate of demand high. A slowdown in Asian-Pacific demand now appears unlikely in the years ahead, even if the 10–14 percent rate of increase registered recently in some of these countries for certain petroleum products tapers off.

There will be another large increase of young people entering the job market in the United States beginning in 1993–94, as the children of the postwar baby-boom generation come of age. This increase will be accompanied by more demand for housing, automobiles and the like. In other words, we can expect higher gasoline demand in the 1990s. Moreover at no time in the coming decade should we expect that significant inroads will be made to restrain the use of oil as a transport fuel. Regardless of government encouragement of the use of natural gas derivatives, gasoline will reign supreme until well into the next century.

This coming surge in demand for gasoline is likely to be

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buttressed by higher oil consumption in the industrial and commercial sectors. There has recently been a reversal of the strides made in energy efficiency in the industrial countries during the late 1970s and early 1980s. At that time, as a result of industrial restructuring and the long-term impact of capital investments in energy-saving technologies, the ratio of oil demand to economic growth fell considerably. The low oil prices of the past half decade have resulted in much less investment in energy efficiency. Moreover economic growth in the 1980s, combined with higher industrial capacity utilization, brought older, less energy-efficient plants back into use. And because of the long lead times required for new capital investments, it will again take years to register an impact on consumption.

The supply side seems to be relatively bleak. According to conventional wisdom, non-OPEC oil production looks likely to peak around 1992–93 and then start a very slow decline. The same viewpoint argues that OPEC production capacity will increase in an orderly enough fashion to keep an effective cap on the price of oil, which, before last summer's events, was expected to hold steady or actually decline in real terms until 1992–93, and then increase modestly for the rest of the decade.

It is difficult to conclude that non-OPEC oil output will remain steady in the range of 25 million to 27 million barrels a day. Certainly, there are signs of new production coming on stream in places like Yemen, Brazil, India, Norway, Angola, Malaysia and Papua New Guinea. These sources may provide a total of 1.5 million to 2 million barrels a day of incremental supply by 1995. But there is nothing on the horizon to match the giant oil fields discovered in the 1960s and 1970s in non-OPEC countries. These discoveries enabled Alaska's North Slope production to go from scratch to nearly 2 million barrels daily, Mexican production to rise by 2 million barrels daily, and North Sea output to add nearly 4 million.

Meanwhile, due to the lack of investment in new oil exploration for most of the past decade, output will be dropping rapidly in some of the mature non-OPEC producing countries, including the two largest producers in the world, the United States and the U.S.S.R. Nor can the situation be reversed rapidly. On average it takes nearly a decade to explore in offshore waters and bring new fields on stream, and lead times for onshore production average three to five years.

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The U.S.S.R. is beginning to see rapid declines in output. Official statistics put this at about 1.3 million barrels a day over the last year and a half, while some analysts believe the drop to be even greater. It appears safe to assume that over the next five years another million barrels per day of Soviet output will be lost, probably much more than that, even with the infusion of outside expertise and capital. In the other very large producer outside of OPEC, the United States, official government forecasts see output sliding between one million and 2.5 million barrels a day from 1988 to 1995.

Mexican output is sliding from a lack of investment. As domestic consumption increases rapidly, exports are expected to fall by some 500,000 barrels a day by 1995. And the same situation is unfolding in other producing countries, including the United Kingdom. In my judgment, the result is clear—non-OPEC oil output will not remain stable; it will fall. The question is whether the decline will be a modest 500,000 barrels a day or a heftier 2 million or more.

Most incremental demand for oil in the years ahead will have to be filled by OPEC members, which will also have to replace declining non-OPEC output. Will they be able to do this, even if they want to? And will new disruptions like this past summer's create shortfalls that will be nearly impossible to make up?

It is no secret that many OPEC countries want to see oil prices rise to past levels or higher so that their income losses of the last decade can be recouped. They have suffered greatly. But some of the largest OPEC countries, especially in the Middle East, do not want to see a price rise, and their motivations are equally transparent. They involve both economic and political calculations.

Producers like Saudi Arabia, Venezuela and Kuwait (before the invasion) fear the consequences of higher prices on the world economy, given the size of their investments overseas and in their own domestic oil sectors. They want to prevent a deep recession. They want to avoid the impact of higher prices on oil demand, the development of oil supplies outside of OPEC, and any increased challenge to oil by alternative fuels. They have a long-term economic perspective based on their robust oil reserves, whose economic lives they want to stretch out. Even Venezuela, where oil production costs are higher than those in the Middle East and where short-term international debt and domestic problems make a price rise welcome, has been a moderate price-setter.

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In political terms, Saudi Arabia, Kuwait and other Arab producers want to avoid a price increase for which they could be blamed, as they were in the 1970s, thus setting back their political relations with the United States. To achieve their non-oil foreign policy objectives, they want to be seen as reliable suppliers of oil at moderate prices. But will they be able to manage this?

Before the Iraqi invasion, OPEC Secretary General Dr. Subroto saw the need for the producer group to increase annual output capacity by one million barrels a day between now and 1995. This view looks conservative given the Iraqi crisis. He also stated that to increase output capacity, investments of $60 billion or more would be needed, a number that seems excessively high but attainable if foreign investments are encouraged. It would be heroic to assume that OPEC countries will have the added capacity to restore 32 million barrels daily by 1995. Even more heroic is the assumption that capacity can be added in steady increments—capacity additions, by their nature, tend to be "lumpy."

In the final analysis, it appears likely that oil prices are going to rise significantly in the 1990s. Even if oil prices fall again to less than $20 a barrel after the current crisis is resolved, it seems largely irrelevant to ask whether such prices can remain stable or increase only modestly. It is time to address the question of how oil markets and the structure of the oil industry will react to steep price increases. Will we see a repeat of the severe boom and bust cycle of the 1970s and 1980s? Or will something emerge to soften the cycle's impact on producer and consumer country incomes and economic activity levels? What new relationships are likely to characterize the industry, especially as the old order passes?

Regardless of how the Iraqi invasion of Kuwait is resolved, four aspects of the emerging international petroleum sector now appear inevitable.

OPEC, long regarded as a major hub of the international oil markets, now appears to be in institutional decay, its role increasingly outmoded by the economic and political logic of the petroleum sector's evolution. Yet whether OPEC will be replaced by new institutional arrangements, and what they might look like, remain open issues. Second, and reinforcing OPEC's decline, the decade will see robust growth in international exploration and production, with private and state companies investing in places previously off limits to them.

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Third, due to the radical and continuing reintegration of the international oil industry, a much more reciprocal and tightly linked international market is emerging, binding producing and refining centers together more than at any time since the early 1970s. But, finally, more bargaining leverage is falling once again into the hands of exporting countries.

VI

After OPEC, then what? Major signs of a change in perspective, from that of producers versus consumers to one of a common undertaking to deal with mutual problems, were seen long before the events of August. These included direct discussions between the United States and Arab OPEC countries, including Saudi Arabia and Kuwait, on oil supplies for the U.S. Strategic Petroleum Reserve, an inventory of some 600 million barrels set up to alleviate the effects of another Arab oil embargo such as that instituted in 1973–74. Such an arrangement would have been much more than a symbolic recognition of the importance now placed on commercial rather than political matters. It would have indicated that the world's leading exporters and the world's most ravenous consuming country have a joint interest in dealing with oil inventories.

As the oil industry becomes more commercialized there is a logical tendency to have relevant actors deal with problems on a mutual and reciprocal basis. Both OPEC and the informal non-OPEC grouping had already seen the need for forums to discuss common problems in the areas of demand, environmental regulations on oil use, and refinery upgrading investments.

There are good reasons in both industrial and developing exporting countries to foster new arrangements. But to do so, two types of new institutions must be put in place. First, common ground must be found on which governments and companies can interact on an equitable basis, transcending the divisions represented by OPEC and the 21-member International Energy Agency. Arrangements can evolve through a set of overlapping yet distinct forums, ranging from bilateral intergovernmental cooperation to broader organizations. Elements of the IEA and OPEC could even come together to deal with such common problems as adding to world output capacity and the buying and release of crude oil inventories, especially given the role inventories have played in exacerbating wild price jolts, like those of last summer.

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Second, the petroleum sector is the only major part of the international economy that lacks broadly based institutions to deal with commercial disputes as commercial disputes, and to find ways to forge an international consensus on market issues. The need for institutional frameworks to regulate the types of issues that will inevitably arise due to economic interdependencies in a post-Cold War world is obvious. A better time has never come than now, or after the current crisis is resolved, to break down the confrontational politics that currently characterize the oil sector.

To make any such institutions work, however, another equally fundamental set of norms must be developed. These norms revolve around the recognition that atavistic attitudes, like those underlying Iraq's aggression, have no place in an interdependent world economy fueled by oil. Assuring that the emerging era is one in which such atavisms are controlled may require new international security structures that go far beyond the world of oil. The new post-Cold War world is a place where would-be regional powers will be tempted to enlarge their bases of influence, thereby affecting the basic economic structures on which global well-being depends. Whatever mechanisms are developed to provide stability to replace those of the Cold War, the institutional norms of international oil arrangements need to be rethought and redesigned.

VII

Investment in international exploration will significantly expand in this decade. This time, unlike the late 1970s and early 1980s, it will involve not only forays into areas previously withheld from oil company investments, but it is also likely to involve novel forms of joint ventures between state-owned and private-sector firms. As a result the industry will become more tightly knit and open, breaking down the confrontations that have prevailed for the past two decades.

Underlying the push toward more international exploration will be the rise in oil prices. In the late 1970s, when the last exploration boom got under way, oil companies were politically frozen out of many countries that had just nationalized their oil industries. As a result the price of exploration rights—licenses and taxes—rose dramatically because the relative supply of exploration areas actually was reduced. Now the move away from national monopolies over exploration will

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significantly reduce the costs imposed on companies by governments and could actually give rise to a new set of investment structures unlike anything the world has previously known.

The reopening of areas previously off limits for foreign companies is being propelled by economic necessity and political change. In economic terms, after more than a half decade of under-investment, human resource needs are especially lacking in Saudi Arabia, Iran, the Soviet Union and, to some degree, Iraq. Technology is lacking almost everywhere, including Venezuela, the Soviet Union and Mexico. Moreover, financial constraints confront virtually all oil-producing countries that up to now relied predominantly on their own national oil companies.

Equally important is the political change that makes it possible for countries like the U.S.S.R., Venezuela, Mexico, Algeria and, potentially, even Saudi Arabia and Kuwait to reopen their sectors to foreign company exploitation. The nationalizations of the 1970s and the experience of countries in developing their own national resources have demonstrated that these countries could in fact substantially undertake the tasks once administered solely by the international firms. But there is a significant "power" element as well. The nationalizations of the 1970s and the growth of national oil companies alongside the international majors has led to a commercial negotiating framework that is more balanced. Today Saudi Aramco and Venezuela's state company, PDV, are on the same scale as Exxon and Shell as giants of the oil industry. Their story is repeated throughout the developing world—in Brazil, Mexico, Indonesia, Nigeria and elsewhere.

The series of joint ventures in refining, marketing and petrochemicals undertaken with international companies over the past decade have demonstrated that national companies can, in partnership with foreign firms, learn more and do more. It is no longer a case of "us versus them." It is now much more an issue of how differing endowments of geology, capital, technology and human resources complement one another.

In addition, state-owned enterprises in the developing world are becoming increasingly involved in foreign exploration and production. These countries include Brazil, Kuwait, the U.S.S.R., and the private companies of Japan that are being financed by the state-owned Japan National Oil Company.

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It may be hard to imagine that some countries that are now much more favorably inclined toward foreign firms will not close their doors somewhat as oil prices increase. But it is equally hard to imagine that some countries now opening their doors will not keep them open. While the oil world at the end of the decade will not look like the neatly ordered environment of the 1960s, when the "seven sisters" companies were responsible for the lion's share of international exploration and production, it will inevitably look a lot different from today's. In particular when the next slump takes place in the international oil industry, it will be much better managed than was the case when prices crashed in the 1980s. With the rise in international exploration and production and the increase in joint ventures between state-owned and private firms, companies will be better able both to plan new investments and to cut back on production on an equitable basis. The burdens of adjustment will thus likely be spread more evenly than they were in the 1980s when they fell entirely upon OPEC.

VIII

Two of the major structural changes in the oil industry during the 1980s were its massive consolidation, particularly in the United States and the North Sea, and the movement toward reintegration on an international basis. The oil industry, having undergone its consolidation, is now poised for a dramatic expansion. There is no reason to believe that reintegration will now come to an end. If anything, it is likely to continue.

It has often been argued that full integration is the "natural state" of the oil sector, given the economics of both exploration and production and of refining and marketing. Each process is capital intensive. Yet, once investments are made, the cost at the margin of producing a barrel of oil or processing a barrel of oil products is low. Both types of investments are also risky since the markets in which each operates are highly competitive. In addition each end of the industry is cyclical, but their cycles complement one another. When demand for crude falls, refiners, having lower feedstock costs, can boost profits to the degree they can maximize refinery runs. When demand for crude is high, feedstock costs are high and, given the competitive nature of products markets, refiners' profits are squeezed. Integration reduces risks over time for both ends of the industry.

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The drive toward reintegration by oil-exporting countries in the 1980s was a natural reaction to the extremes set in motion by nationalization in the 1970s. It was propelled by the need to find secure markets in a time of excess supplies. But even as oil markets tighten, the reintegration process will likely continue. For some large producers, like Saudi Arabia, the integration process has in many respects just begun. Its domestic export refineries and foreign refining ventures are already covering a lower percentage of total oil production than last year when output was lower. As Saudi output rises, it will need long-term arrangements with buyers. Unless the government itself can confront the nightmarish task of renegotiating several million barrels a day of contracts quarterly or semi-annually, the only secure way to market Saudi oil will be through the now nationally owned Aramco network. The same can be said of other large oil exporters.

At the consumer end of the market, opportunities for reintegration are likely to grow rather than to shrink. The large Japanese market has yet to be penetrated by new foreign investment by producer-country firms. If that country is to obtain secure sources of crude, it will need to open its doors to such investments. Oil companies, meanwhile, are scrambling to enter the Soviet Union, which may well become the hub on which a reintegrated international oil industry is built.

A much more integrated international oil economy is therefore likely to develop during this decade. And that almost certainly also means a more moderate and open petroleum sector.

IX

As the oil markets turned soft in the 1980s, a revolutionary change took place in the way oil was priced and marketed. At the start of the decade, the world seemed to be permanently stuck on a system of fixed prices established by governments. OPEC was at the center of this pricing system and, within OPEC, the largest producer, Saudi Arabia, established the benchmark price. By the end of the decade, however, the "market" seemed to reign supreme—virtually all oil is now sold at prices determined by the laws of supply and demand, and governments' only role is to change adjustment factors in pricing formulas. Exporters, rather than importers, thus took the risk of price changes.

Now, as markets tighten, change is again in the offing. We

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are likely to see enhanced bargaining leverage in the marketplace for sellers at the expense of buyers. But free markets are likely to remain with us, even if the rules of trade are tilted more heavily toward accommodating the interests of sellers.

Oil prices in the future are much more likely to be limited by the price of alternative fuels, especially in markets where oil competes head to head with gas and, to a lesser extent, with coal and nuclear fuels. This is now substantially the case in the electric power sector and somewhat in the commercial and residential sectors.

The entry of key OPEC countries into the refining and product distribution markets in the United States and Europe, and continuing prospects for further downstream integration in Japan, work in the same direction. Key producers, including Venezuela, Saudi Arabia, Libya, Nigeria and others, now have a direct interest in both ends of the market, which will almost certainly reduce their incentives for politically engendered price increases.

Moreover the whole structure of the market has changed with the development of organized futures markets in the London International Petroleum Exchange, the New York Mercantile Exchange, and Singapore's Simex. Since these markets are based on crudes that are unlikely to be priced on an official basis, there will be a continuing bias in the trading system toward market-based pricing.

Also moderating markets will be an array of political factors that are less tangible but no less significant. Even without the Iraqi invasion there was a predisposition within key Middle East countries to strive for price moderation. The responses of industrialized countries to the Iraqi invasion reinforces that attitude. If there is a regime change in some of these countries, the logic of their economic and political circumstances will make it likely for them to seek and develop the types of reciprocal ties that make for a more moderate oil sector.

X

U.S. energy security is far easier to define conceptually than it is to work out in practice. The reason is not only because sensible people have different views of the national interest but, more important, because politicians' short-term interests almost always prevail over long-term strategic requirements.

As an energy-rich country that nonetheless depends on oil imports, U.S. energy security requires a combination of three

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elements. It needs to reduce consumption, to diversify its national fuel supplies and to maximize the exploitation of domestic resources while recognizing that complete energy independence is impossible to achieve. Yet for the past decade the government has had a de facto energy policy that minimizes the development of national oil and gas resources, maximizes gasoline consumption, and relies increasingly on energy resources concentrated in oil and gas. This is not surprising. The United States is a schizophrenic society in oil matters—a huge producer and an even more enormous importer. Resolving the competing claims and interests of consumers and producers is nearly impossible.

Recent debates over the development of domestic oil and gas have been confused by two almost irrelevant issues. First, when oil prices collapsed in the mid-1980s, there was much wasted discussion on border taxes as a means of artificially raising domestic oil and gas prices to subsidize high-cost local production. Second, debates over environmental issues mistakenly focused attention on issues of land management rather than on how oil and gas production could be spurred on existing exploration lands.

The key issue involved in stimulating higher domestic production—our fiscal system—has been set aside, largely because the federal budget deficit did not appear to warrant tax concessions and few in government or industry were willing to come forward with creative ways to deal with energy taxes. While the oil industry has been its own worst enemy, pushing for lower taxes rather than tax reform, the Reagan administration instituted a series of tax changes that actually hurt the oil and gas industry.

The oil and gas industry is preeminently international. Companies making oil investments focus their interest on areas that bring them relatively high returns on capital. Here the United States has become decreasingly competitive. Its system of taxing oil and gas investments is not a neutral instrument; Washington actually discourages investments today.

Key elements of the U.S. fiscal regime need to be reviewed and revised. The U.S. federal tax system (setting aside what state governments do) is based on a combination of royalty payments made on each barrel of oil produced, and on income taxes. The royalty or severance tax system in place is the same one that existed when Colonel Drake made the first commer-

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cial oil discovery in Pennsylvania nearly 140 years ago. It is a regressive system that has been abandoned almost everywhere else in the world.

The U.S. fiscal regime has two major flaws that discouraged investment in the 1980s, with prices uncertain. First, since royalties are paid on every barrel of oil produced, they impede rapid cost-recovery. In a price-uncertain world, companies make investments in countries that permit rapid cost-recovery and avoid those where rapid cost-recovery is impeded. Second, a steep royalty system encourages the premature abandonment of oil fields. That is because the cost of secondary or tertiary recovery methods, which would stretch out the life of oil fields, are frequently uneconomic due to royalty payment obligations.

There are some easy ways to fix these shortcomings, which could probably add 300,000 to 500,000 barrels a day to the U.S. production base. Royalties could be abandoned as they have been elsewhere. Or they could be suspended—completely in the case of enhanced recovery, or temporarily, to allow more rapid investment recovery in the early years of field production.

The progressive elements of the U.S. tax system—those related to corporate income tax—also impede rather than encourage new investments. Recent changes, including the 1986 Tax Reform Act, have limited depletion allowances, the use of so-called passive losses, and imposed, through the alternative minimum tax, higher rates than the industry has historically experienced, at the very time that low prices were restricting the amount of cash flows available for new investments. In some cases the combination of federal and state severance and income taxes puts the government's total take at the highest level in the world.

Both the progressive and regressive nature of the U.S. tax system as it applies to oil need to be reviewed, along with taxes and other disincentives to consumption. Gasoline and other transport fuels remain low-cost items in the United States. In real terms, gasoline cost about the same earlier this year as it did before the price escalations of the 1970s. With half of U.S. oil consumption based on transportation fuels, it is time for the United States to join virtually all other industrial countries in imposing taxes that will discourage consumption and foster investments in a more energy-efficient transportation fleet. Reimposing efficiency standards on the automobile industry would also move in that direction.

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In addition to policies to encourage production and discourage consumption, the federal government also has a legitimate role to play in research and development, especially in areas that look to be far removed from the immediate commercial interests of industry. This includes research in alternative transportation fuels, especially natural gas.

Energy security policies aimed at production, consumption and use of alternative fuels all are geared to a longer-term time horizon. In the short term, the government also has the wherewithal to deal with the immediate disruption that resulted from the embargo on Iraqi and Kuwaiti oil in ways that suit its long-term objectives. The administration apparently turned toward urging OPEC producers with spare production capacity to increase their output before reviewing what it could do on its own or in tandem with other members of the International Energy Agency. This was a mistake for two reasons.

First, armed with a nearly 600 million barrel strategic oil stockpile, the government could have prevented the economic dislocations associated with the price spike above $25 a barrel. It could have done so through an early release of the reserve inventories—even a modest release would probably have calmed markets in the immediate aftermath of the U.N. embargo. It could also have mandated a company drawdown of inventory, knowing that disruptions always engender additional stocking and impede de-stocking. Companies, uncertain about their future supplies, tend to hoard oil rather than release it, just as they did in 1973–74 and 1978–80. Instead the government allowed the mechanisms of the world's futures and forward markets to distort prices and encourage speculative bidding, which was unwarranted because of the overstocking that had taken place over the previous year.

Second, if the United States and other IEA governments had acted to cap commercial stocks and to release government inventories before they encouraged Saudi Arabia, Venezuela and others to produce more oil, they would have been in a better position both for short-term and long-term policy. In the short term, they would have demonstrated to the producers that the situation engendered by Iraq's invasion was in fact international and required actions by both importing and exporting countries. They would have signaled that this is a house we all live in, and it is time for each to do its share. Instead they made it politically more difficult for the produc-

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ers to respond, by in effect saying to them, we, the profligate consumers of oil, need more and you, the producers, have an obligation to provide it.

The current crisis provides the kind of opportunity for setting in place a bold new architectural arrangement involving key exporters and importers that could benefit all parties in the 1990s. Management of international stocks is inevitably central to such discussions, given the role that excessive stockpiling or de-stocking has traditionally had in destabilizing oil prices.

Whether or not the United States and other industrial countries learn appropriate lessons from the latest crisis and undertake new meaningful energy policies to help the restructuring of the world's energy institutions remains an open question. The petroleum sector has dealt the world more wild cards in the last twenty years than virtually any other key segment of the world economy. While the wild card recently placed on the table by Iraq is changing many of the rules of the game, it is unlikely to affect them very substantially in the long run. The oil system has been moving in directions based much more on the economic logic that has governed its growth than on specific government acts. But government policies can make a big difference in ameliorating or worsening conditions.

If the arguments put forward above are basically correct, prices are going to rise, regardless, this decade. Governments may be able to affect the pace of the increase, especially during disruptions, but they are unlikely to avert it. Rather, the logic of the evolution of the oil system is likely to prevail, until at least one additional truly wild card is dealt—the one that shows the world how a commercially and technically efficient non-oil transport fuel can be developed, and oil's role in the world economy is significantly reduced.

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Sumit Ganguly

AVOIDING WAR IN KASHMIR

Will the current simmering conflict over Kashmir lead to another subcontinental war? This complex question has plagued India-Pakistan relations since both countries gained independence in 1947, and over the past year tensions in the area have risen sharply. Continuing border skirmishes threaten an already precarious situation, in which international and domestic politics are intertwined with the passions of rival ethnic, religious and partisan interests.

Three decades ago concerned diplomats in capitals near and far were acutely sensitive to the stresses of Kashmir. The United States, the Soviet Union and, at times, China were all engaged at varying levels of intensity; superpower rivalries focused on Kashmir, which sometimes stood as a surrogate for larger global interests.

Now the global situation has altered, even as the basic tensions of Kashmir remain the same. Washington, Moscow and, to a certain extent, Beijing share common interests in ensuring that the two belligerent nations of the subcontinent do not inadvertently stumble into a major conflagration that neither India nor Pakistan could afford, and that could even lead to nuclear escalation.

A new generation of policymakers has lost its predecessor's sensitivity to the Kashmir conflict, as other world crises have competed for attention. Now the fashioning of an American policy appropriate to this potentially volatile situation entails first of all renewed understanding of the forces that led up to it.

II

The Kashmir conflict is rooted in the colonial history of the subcontinent. At the time of British withdrawal from the subcontinent two competing visions of state-creation animated the nationalist political leaderships. One vision, championed by Jawaharlal Nehru, was quintessentially secular and demo-

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cratic. This view held that British India's diverse religious, linguistic and ethnic groups could coexist only under the aegis of a strong secular state. Mohammed Ali Jinnah, the leader of the Muslim League, challenged Nehru's vision of a unified Indian subcontinent. Jinnah contended that the Muslims of the subcontinent constituted a nation separate from the rest of (Hindu) India, with a distinct religious heritage and markedly different social customs. He also argued that the Muslim minority would be discriminated against in a predominantly Hindu state.

Despite various last-minute efforts by the Indian National Congress and the Muslim League, as well as the British government, continued unity of the subcontinent proved unattainable. As British withdrawal approached, a complex formula was created for the division of the area. Contiguous Muslim-majority states under the direct rule of the British crown would become Pakistan, with the border states of Punjab and Bengal being divided. The real problem arose with the disposition of the so-called princely states. Nominally independent, the rulers of these states, some 565 in number, recognized the British crown to be the paramount power in South Asia. With British withdrawal the doctrine of paramountcy lapsed. Several of the princely potentates, especially Maharaja Hari Singh of Kashmir, had harbored visions of independence with British decolonization. Lord Mountbatten, under pressure from Nehru and others in the Indian nationalist movement, dashed their hopes. In the closing days of British rule he insisted that they could not declare independence, but must join either India or Pakistan.

Kashmir posed a unique problem. Led by a Hindu monarch, but composed of a predominantly Muslim population, Kashmir was contiguous to Pakistan. Maharaja Singh's desire for an independent Kashmir was unacceptable to both Nehru and Jinnah. Pakistan asserted a moral claim to Kashmir based on the state's Muslim-majority population and borders, which abutted what would become Pakistan's western wing. What complicated the picture was the existence of a popular, democratic and secular movement in the valley. This movement, known as the Kashmir National Conference, was led by a dynamic young Muslim, Sheikh Mohammed Abdullah. As the maharaja waffled on the question of accession to India or Pakistan, Pakistani troops disguised as tribesmen joined local Pathan tribesmen and attacked some of the western border

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areas of Kashmir. In a panic the maharaja sought the assistance of India's newly formed government to ward off the marauders. Nehru promptly agreed to provide assistance but only *after* Kashmir formally acceded to the Indian Union.

The introduction of Indian troops into the Kashmir valley following the accession led to war with Pakistan in 1947. The war saw the introduction of the regular Pakistani army in support of the so-called irregular Azad ("Free") Kashmir forces. India stopped the Pakistani advance but not before Pakistan had occupied the northwestern portion of Kashmir. With the expectation that multilateral intervention might lead to a resolution of the conflict in its favor, India referred the issue to the United Nations. The Indian government demanded an immediate withdrawal of Pakistani troops from northwestern Kashmir, a return to a climate of normalcy in the region, and preparations for a plebiscite to ascertain the views of the Kashmiris on the question of accession. Pakistan, while supporting the plebiscite, refused to withdraw its troops from northwestern Kashmir. The United Nations did manage to obtain a ceasefire, which went into effect on January 1, 1949. Despite subsequent U.N. efforts, India and Pakistan continue to adhere to those positions, discouraging multilateral resolution of the Kashmir conflict.

With neither side accepting the other's position, both have sought to absorb their respective portions of Kashmir. The Pakistani-held territory was provisionally integrated into the Pakistani state, as were the Northern Areas that abut the People's Republic of China and the Soviet Union. Pakistan has directly administered the Northern Areas since their creation in the early 1950s. A cabinet-level officer, the minister of Kashmir affairs, is responsible for the political oversight of this territory. The remainder of Pakistani-held Kashmir is known as Azad Kashmir. Nominally, Pakistan still insists that the issue of Kashmir be resolved through a U.N.-supervised plebiscite. On the Indian side, the state of Kashmir was also accorded special status under Article 370 of the Indian constitution. Among other matters it allows only native Kashmiris to own immovable property in Kashmir.

As its disillusionment with the U.N.-sponsored negotiations grew, India gradually moved to extend its administrative control over Kashmir. Local elections were held in 1951, providing Sheikh Abdullah's Kashmir National Conference an overwhelming victory. Subsequently in 1953 the National

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Conference split over issues of both policy and personality. At that time one of Abdullah's lieutenants, Bakshi Ghulam Mohammed, took control of the party and the government. Bakshi's rise to power saw the beginning of Abdullah's troubles. Abdullah, in an attempt to extract greater resources from New Delhi, had made a series of inflammatory statements about Kashmir's future within India. Bakshi, with obvious encouragement from New Delhi, had Abdullah imprisoned. Pakistan protested Abdullah's incarceration, but their objections had little impact on India. Remonstrations by Kashmiris, however, led Pakistani officials to conclude incorrectly that local support existed for a Pakistani-sponsored insurgency.

III

Numerous factors prompted Pakistan's military ruler, President Mohammed Ayub Khan, to reassess Pakistan's Kashmir policy in the early 1960s. The failure of the U.N. negotiations, New Delhi's steady efforts to integrate Kashmir into its territories, and India's substantial rearmament program (begun after the disastrous border war with China in 1962) made military action to obtain Kashmir seem the only option. Zulfikar Ali Bhutto, then a rising young politician (and father of the recently deposed Pakistani prime minister, Benazir Bhutto), in all likelihood prodded Khan to make that reappraisal. From the standpoint of Pakistan's leadership it must have appeared that the "window of opportunity" to settle the Kashmir issue on favorable terms was rapidly closing. Declining international interest in the issue coupled with India's growing military strength would render chimerical future efforts to wrest Kashmir from India.

Before embarking on a full-scale operation in Kashmir, Pakistan tested Indian resolve in border skirmishes in January 1965 in an area known as the Rann of Kutch, in the western Indian state of Gujarat. The Indians, unwilling to be drawn into a major military conflagration over non-strategic territory, sought a quick ceasefire and referred the issue to the International Court of Justice. Both Khan and Bhutto construed India's response as a sign of weakness, clearly the wrong inference.

Shortly after the Kutch episode, riots erupted in Kashmir with the theft of a sacred Muslim relic, the *Hazaratbal*, a hair of the Prophet Mohammed. The local government was able to restore order but not before considerable havoc had been

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wreaked throughout the valley. The Pakistani leadership construed this breakdown in public order as an indication of popular discontent against the Indian government, another mistake in judgment.

These two flawed inferences led Pakistani decision-makers to develop a two-phased plan to seize Kashmir by force (Operation Gibraltar). In the first phase Pakistani troops disguised as local tribesmen would cross the porous frontier and foment an insurgency in the border areas of the state. In the second phase Pakistani troops taking advantage of the prevailing chaos would then invade and seize the state in a short sharp war, then call for a ceasefire and appeal to the international community to hold a plebiscite to determine Kashmir's future.

The Pakistani strategy went awry at the outset. As the infiltration started, the local Kashmiri populace proved to be singularly uncooperative and, in fact, turned the infiltrators over to the authorities. Despite the collapse of this first phase, Pakistan nevertheless decided to attack Kashmir in early September 1965. To the surprise of Ayub Khan, the Indians not only put up a vigorous defense but crossed the ceasefire line in Kashmir and the recognized Indian-Pakistani international boundary to the south. Under considerable pressure from the international community, including a U.S. arms embargo on the warring parties, the war was brought to a close within a few weeks.

Owing to its growing commitments in Vietnam, Washington did not seek to involve itself in the resolution of this conflict. American abstention enabled the Soviets to step into the breach to play the role of honest broker. At Tashkent in January 1966 leaders from India and Pakistan met to discuss a possible resolution to the Kashmir dispute. Both parties made some important concessions, consenting to give up territory seized in the conflict and to return to the status quo ante. India's prime minister, Lal Bahadur Shastri, died while in Tashkent hours after signing the agreement; he was thus spared criticism about its terms. Ayub Khan, however, faced a fierce attack from domestic opponents, notably Bhutto. Grievances about the Tashkent agreement coupled with other domestic problems, particularly lagging economic growth, led to Ayub's overthrow in 1969 in a military coup.

In 1971 war between India and Pakistan once again erupted. While one of the fronts involved Kashmir in the west,

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the bulk of the fighting was confined to Pakistan's eastern wing. The precipitant of this war was the failure of Bhutto and the military regime of General Yahya Khan to reach an accord with Bengali nationalists in East Pakistan following popular elections in 1970. The political deadlock resulted in a grisly military crackdown in East Pakistan, leading to the flight of some 9.8 million people into India. After some internal debate the Indian government decided that it was cheaper to resort to war than to absorb the refugees into India's already troubled eastern region. The 1971 war resulted in the breakup of Pakistan and the emergence of Bangladesh, but Kashmir saw only limited military conflict.

Indira Gandhi and Zulfikar Ali Bhutto met in 1972 at the Indian hill resort of Simla and signed an accord that had far-reaching implications for the future of the Kashmir dispute. The second paragraph of the agreement stated that "the two countries are resolved to settle their differences by peaceful means through *bilateral negotiations* or by any other peaceful means mutually agreed upon between them."[1]

The Indian government views this paragraph as a clear indication that the two sides agreed to settle the Kashmir dispute without external intervention. The Pakistani leadership, however, contends that this is a narrow reading of the text and that acceptance of such an interpretation would denigrate its national sovereignty. Particular interpretations of the treaty are really partisan exercises: India wants a strict interpretation to prevent an internationalization of the Kashmir dispute; Pakistan wants to focus international attention on Kashmir.

IV

The international level is only one dimension of the Kashmir conflict; domestic politics plays an equally important role. At the most general level, the uprisings in Kashmir since the fall of 1989 can be seen as a part of a second wave of ethnolinguistic assertion that has swept India over the past decade. The first wave of ethnic subnationalism manifested itself in the early 1950s. The Linguistic Reorganization Act, which divided substantial portions of the country on the basis

[1] Agreement on Bilateral Relations Between the Governments of India and Pakistan, paragraph two; signed at Simla, July 2, 1972. Emphasis added.

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of dominant language groups, largely addressed the needs of the time.

This second wave of ethnolinguistic assertion stems in large measure from the very success of India's "positive discrimination" (i.e., affirmative action) policies. Disenfranchised minorities have entered the political arena through increased access to education and employment, generating a backlash from segments of Hindu India. This resentment against the political success of minorities has perhaps been most pronounced in northwestern India, where Hindus live cheek-by-jowl with large numbers of minorities, particularly Muslims. As ethnic and communal passions have led to riots and sporadic violence, minority communities have tended to close ranks. This phenomenon has been particularly marked among younger members of the community, those seeking entry into the competitive marketplaces of education and employment. In particular, the most militant and fundamentalist organization, the Hezb-ul-Mujahideen, draws the bulk of its support from young, educated Kashmiri Muslims.

The immediate precipitants of the ongoing crisis lie both in Kashmir's domestic politics and in its relations with India's central government. The steady organizational decline in the 1980s of the nationally dominant Congress (I) Party saw the concomitant regionalization of Indian politics. Nevertheless, under the leadership of Mrs. Gandhi and her son, Rajiv, who took command after her death, the party sought to make inroads in states where it lacked a substantial constituency. To this end the party forged dubious alliances with local notables, often to the detriment of the latter.

The Congress (I)/Kashmir National Conference alliance of 1986 was one such example. This arrangement of convenience reduced Farooq Abdullah, the son of the legendary Sheikh Abdullah, to the status of a mere stalking horse for the Congress (I) Party in Kashmir. Furthermore the Kashmir assembly elections of 1987 were marked by chicanery and deceit on a scale not witnessed in recent years in India. Several important consequences ensued from this flawed election. First, the coalition that came to power lacked popular legitimacy. Second, the willingness of the Congress (I) Party to resort to unfair electoral practices to capture power in Kashmir convinced Kashmiris of the reckless disregard that the national government had for democratic procedures and for the principles of federalism. Finally, with the channels of

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democratic protest blocked, the dissidents in the Kashmir valley felt that they had little choice but to resort to other means.

By the end of the 1980s a confluence of events caused discontent in Kashmir to reach dangerously high levels. The climate of regional and ethnic assertion that had been building in India and Kashmir combined with the corruption of the electoral process in Kashmir, which choked off the only viable political outlet for the forces that had been steadily gathering steam. Additionally the abject failure of Farooq Abdullah's government to promote economic development in the state provided the catalyst for unrest. As swelling numbers of college-educated Kashmiris discovered bleak employment prospects, their anger and frustration turned against what they correctly perceived to be a corrupt and insensitive regime.

Even as recently as a year ago, however, careful administrative and political actions might have defused the oncoming crisis. In a recently published internal memorandum, former Kashmiri Governor Jagmohan repeatedly warned then Prime Minister Rajiv Gandhi not only about the growth of militant sentiment but of a significant rise in violent incidents in the valley. The central government, wracked with allegations of bribery over the acquisition of the Swedish Bofors field gun for the Indian Army and gearing up for a national election later in the year, was preoccupied and did little to heed these timely warnings. A combination of the central government's distracted stance and what an internal memo describes as the "total inaction, unbelievable incompetence, widespread corruption and passive connivance" of the Farooq Abdullah regime allowed the insurgency to flourish.[2]

V

Three principal umbrella groups in Kashmir are involved in the recent uprisings. Several dozen loosely allied organizations operate under their aegis. One group, composed of Muslim fundamentalists, is pro-Pakistani in orientation and has links with the fundamentalist Pakistani party Jammait-i-Islami. The organizations allied to the fundamentalist cause are the Muslim Students Federation, the Islami-Jammiat-Tulba and the Hezb-ul-Mujahideen. The second umbrella group is tied to the

[2] Jagmohan, as quoted by Inderjit Badhwar, "Inexplicable Neglect," *India Today*, Feb. 28, 1990, p. 24.

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Jammu and Kashmir Liberation Front, which is the oldest of the secessionist organizations, having been established in 1965 during the border war. Allied with the JKLF are the Mahaz-i-Azadi, the Kashmir Students Liberation Front and the Kashmir Mujahideen Liberation Front. These organizations nominally share the JKLF credo; they do not wish to merge with Pakistan but seek to create a separate state of Kashmir. The third group is the Jammu and Kashmir People's League, which has an explicitly pro-Pakistani orientation.

The vast majority of the members of these organizations are young and many are college educated. Estimates of their numbers vary widely. Published assessments put the figure of active membership at about 5,000, but Indian intelligence sources repeatedly claim that at least an equal number are in Pakistan and are seeking to cross the border. This latter figure, however, is difficult to verify. Reliable sources point out that, owing to ideological differences and a diffused command-and-control structure, these groups frequently work at cross-purposes. Nevertheless it cannot be disputed that they have successfully undermined any semblance of civilian authority in the Kashmir valley.

Over the past year, India has repeatedly accused Pakistan of aiding and abetting the insurgency in Kashmir. Pakistan has of course formally denied the charges. In this respect it is worth emphasizing that the roots of the current crisis are essentially indigenous. Incontrovertible evidence of direct Pakistani involvement in the training and arming of the insurgents is hard to establish. It is nevertheless likely that at minimum Pakistan is passively involved in the insurgency. International press reports, for example, have pointed to the existence of sanctuaries for the insurgents in Azad Kashmir.[3] Compelling regional issues also provide certain groups in Pakistan further incentive for involvement in Kashmir. Pakistan's Inter-Service Intelligence agency has promoted the interests of the Hezb-i-Islami, a fundamentalist group in Afghanistan led by Gulbuddin Hekmatyar. Hekmatyar's links to other local fundamentalist groups, as well as his stated disenchantment with India's Afghan policy, suggest that he may well be, with ISI's acquiescence, providing aid and comfort to the insurgency.

Pakistani leaders from Mohammed Ali Jinnah to Benazir

[3] Barbara Crossette, "Bhutto Is Dismissed in Pakistan After 20 Months," *The New York Times*, Aug. 7, 1990.

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Bhutto have used Pakistan's long-standing claim to Kashmir to rally domestic support for their own political goals. Although Pakistan failed in 1971 to hold its two wings together solely on the basis of the common Islamic religious heritage, Pakistani leaders still argue that their coreligionists in Kashmir should be incorporated into Pakistan.

Apart from this historical claim to Kashmir there are other, more immediate reasons for Pakistani support for the insurgency. Prior to her dismissal in August 1990, Bhutto faced a range of direct challenges—the rising waves of fratricidal ethnic violence in the province of Sind, frequent threats to her authority from the military, and a rebellious local leader, Nawaz Sharif, in Punjab. In her home province of Sind, the Pakistan People's Party has been engaged in a bloody internecine feud with the Muhajir Quami Mahaz. The MQM draws its support from "Muhajirs," or Muslim settlers, who came from India in the wake of the 1947 partition. A recent influx of Pathans and Punjabis is challenging the long-held Muhajir dominance of Sind's economy. Also involved in the fray are well-educated Sindhis who wish to dislodge the Muhajirs from their positions of privilege. The Pakistani military, under General Mirza Aslam Beg, had also been somewhat dubious of Bhutto's credentials as a leader. Finally, and most pertinent to the Kashmir issue, the prime minister had been quite widely perceived as being "soft" on India.

Although the emergence of the insurgency in Kashmir enabled Bhutto to address the entire gamut of challenges to her domestic position, it was not enough to keep her in power. Several reasons can be adduced for Bhutto's ouster. Owing to a range of domestic problems inherited from the previous regime, Bhutto was unable to make headway with the actual governance of Pakistan. Among other problems, she was faced with a thriving drug trade, a concomitant growth in the illegal small arms industry, and rising tides of ethnic violence, particularly in Sind. Moreover, her inability to rapidly seize the initiative in tackling these problems made the military increasingly restive. While she was not overthrown in a military coup, it is unlikely that President Ghulam Ishaq Khan would have taken any action contrary to the military's wishes.

In the October 1990 elections Benazir Bhutto, hobbled by repeated court appearances and unable to campaign effectively, emerged only as a minority leader. The president of the Islamic Democratic Alliance, Nawaz Sharif, won a majority of

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the national vote and was asked to form the government. It is highly likely that the army will significantly influence Sharif's views on the Kashmir issue. In effect, the new government will not adopt a conciliatory posture toward India as regards the continuing insurgency in Kashmir. The Pakistani government and the bulk of Pakistan's populace are acutely interested in keeping the Kashmir issue alive. After all, this is one issue that unites the Pakistani people, by evoking memories about Pakistan's troubled relationship with her principal adversary, India.

VI

Pakistan has little interest, however, in starting a war with India. Although substantial U.S. assistance to Pakistan has helped modernize its armed forces during the past decade, Pakistan's army remains militarily weak in comparison to India's. Moreover American concerns regarding Pakistan's nuclear capabilities seriously jeopardize further U.S. support. Sensing the prevailing mood in Congress, in early October the administration decided not to seek a waiver under the terms of the Pressler Amendment to the Foreign Assistance Act, which requires the president to certify that a nation is not actively acquiring nuclear weapons before it receives U.S. assistance. Until such a waiver is sought or the appropriate certification provided, Congress will not continue foreign assistance to Pakistan. This will have a significant impact on Pakistan, which relies heavily on U.S. assistance to modernize its army. Last year alone the United States gave Pakistan $575.9 million in foreign aid, including $230 million in direct military assistance.

Numerical comparisons of the force deployments of India and Pakistan must be made carefully. Although the Indian army is twice the size of Pakistan's, it must patrol India's long border with China. Entire regiments of the Indian Army are also tied down intermittently in providing "aid to the civil power" in the Punjab. India's much longer coastline requires more naval assets if it is to be properly defended. Finally the four Indian divisions that were deployed in Sri Lanka under the aegis of the Indian peacekeeping force are combat-weary and can hardly be pressed into immediate action.

In spite of these important constraints, India possesses important advantages. India has twice as many tanks and artillery pieces as Pakistan, and a nearly two-to-one advantage

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in combat aircraft. Its navy is also substantially larger. If necessary the Indian navy could again bottle up the Pakistani fleet, as it did during the 1971 war. These military constraints are daunting even to Pakistan's risk-prone military.

There are also important political costs to a war. Regardless of the outcome, a war could spell the end of Pakistan. A Pakistani defeat could unleash all manner of "fissiparous tendencies" (to use Selig Harrison's phrase) within the state. From Sind to Baluchistan, disaffected ethnic groups, sensing a weakening of central authority, might well step up their activities, leading to a complete political collapse. Even if Pakistan were to win the war its fortunes could take an adverse turn. The military, flush with a victory over the nation's principal adversary, could decide that it had a right to rule. The continuing ethnic strife in the country could simply reinforce such proclivities.

The financial costs of waging a war against India also appear daunting. In a recent issue of *India Today*, two Indian journalists estimated that a single day of fighting against Pakistan would cost India approximately $400 million. Similar analyses are not available for Pakistan; one can assume that, given Pakistan's considerably smaller economy, the cost would be even more onerous. Moreover, with the Soviet withdrawal from Afghanistan and an overall improvement in U.S.-Soviet relations, Pakistan's importance to the United States has declined.

Finally, the crisis in the Persian Gulf makes it even more difficult for Pakistan to seriously contemplate a war with India. Through its participation in the multilateral gulf force, Pakistan has renewed its usefulness to the United States. Starting a war with India could quickly place strains on this carefully crafted attempt to continue its ties to the United States.

India, too, can ill afford another war with Pakistan. The political, military and financial costs all militate against it. Even the appearance of anything less than complete victory would bring down V. P. Singh's minority government. The principal opposition party, the Congress (I), has already accused the government of pusillanimity in its dealings with Pakistan. If Indian forces were to suffer a setback on the battlefront, the Congress (I) Party would unhesitatingly accuse the government of having neglected India's security. The Congress (I) Party could also find support from another quarter. The strongly chauvinist, pro-Hindu, Bharatiya Janata Party, which

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has long advocated a tough stance against Pakistan, might well break ranks with the government, leading to its collapse.

A number of domestic factors are also likely to confound India's war-making capacity at the present time. For the past several years India has been fighting a terrorist movement in the Punjab, which shows few signs of receding. In areas of the Punjab that border Pakistan the writ of the Indian government has effectively ceased to operate. In previous wars with Pakistan, India could always count on the unstinted loyalty of the populace in these vital border areas. Today, owing to the deep-seated political divisions in the Punjab, such loyalty can no longer be taken for granted. Nor for that matter can India expect Kashmiri Muslims to behave as they did in 1965. Now the loyalties of many Kashmiri Muslims are questionable, owing to machinations of the previous state government.

A war between India and Pakistan would also impose significant strains upon India's foreign relations. In any dispute involving India, the Arab states have traditionally provided Pakistan diplomatic and moral support. There is little reason to believe that they would act otherwise in the event of another war. Apart from diplomatic isolation, the Arab world could easily impose other material costs on India. Currently India is in the throes of a severe energy crunch. It is spending over a third of its foreign-exchange earnings on imported oil, the bulk of which comes from the Arab world. Incurring Arab displeasure when oil supplies have already contracted due to the situation in the Persian Gulf could place India in a most unenviable position.

India's concerns about another war with Pakistan extend well beyond the Arab world. At a time of shifting superpower and regional alignments, India appears to be on the threshold of improving its relations with the United States. Despite considerable wrangling earlier this year at the Uruguay Round of the General Agreement on Tariffs and Trade, Indian-U.S. relations have lost much of their rhetorical acrimony.

At a more tangible level, though still small in absolute terms, American private investment in India is steadily growing. As the Indian economy matures, it is increasingly turning toward the United States for collaborative ventures in such areas as telecommunications, electronics and computer technology. Furthermore, in the realm of defense technology, India is seeking U.S. assistance for the manufacture of an advanced-generation light combat aircraft, a cooperative defense ar-

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rangement made possible under the Reagan administration. A war on the subcontinent, when both superpowers want to resolve a range of extant regional conflicts, might well lead to the revoking of carefully crafted defense and technology transfer arrangements.

Despite all these arguments, there are grounds for concern that war could break out. As one U.S. expert recently stated in an interview with *India Today*, both nations have moved to military doctrines of "offensive defense"[4]—in other words, a strategy of preemption. The Indian defense strategy is now oriented toward carrying the war into the Pakistani homeland.[5] It is also configured toward promptly suppressing Pakistani air defense capabilities and the early acquisition of air superiority. In the future such a strategy could even incorporate the use of tactical nuclear weapons.

Moreover, if India does not succeed in quelling disturbances in Kashmir and the Pakistani leadership continues to aggravate the situation, war could take place as a consequence of inadvertent escalation. Given the existence of preemptive doctrines and a tense atmosphere along the border, a minor skirmish could well escalate into a larger war that neither side envisaged. Such a possibility is especially likely in South Asia, where military telecommunications, not to speak of civilian ones, are less than thoroughly reliable, increasing the probability of escalation due to misperception and miscalculation. In December 1987 India's military training exercise, "Operation Brass Tacks," and Pakistan's military exercises, "Flying Horse" and "Sledgehammer," almost led to a war, owing to poor communications and mutual misperception of intent. Only after substantial high-level diplomatic contacts were mutual suspicions eased.

In recent months high-level Indian and Pakistani officials have confronted similar issues. In June 1990 India unilaterally withdrew some armored formations from border areas south of the Punjab. It also gave Pakistan a seven-point proposal for

[4] Stephen Philip Cohen as quoted by Shekhar Gupta and Kanwar Sandhu, "Defense: Are We Prepared?" *India Today*, June 30, 1990, p. 31.

[5] These offense-oriented doctrines constitute a new danger. Recent scholarship suggests the proliferation of offensive military doctrines in Europe prior to World War I was a critical factor in the outbreak of that war. Nevertheless it must be recalled that none of the three Indo-Pakistani wars or the Sino-Indian War of 1962 started by accident. Each of them began after a deliberate, well-organized breach of existing borders by one side. See Jack Snyder, *The Ideology of the Offensive: Military Decision-Making and the Disasters of 1914*, Ithaca: Cornell University Press, 1984.

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de-escalating tensions. The proposals largely dealt with a number of confidence-building measures. They also sought Pakistani adherence to the Indian interpretation of the Simla agreement.

While confidence-building measures are desirable, they are peripheral to Pakistan's concerns. Pakistan is primarily interested in raising the Kashmir crisis in a foreign policy context. India, however, views the problem as an essentially domestic one and considers Pakistan only insofar as it may be involved in supporting the insurgency. Resolving these incongruous positions will not be easy for either side.

VII

What then is the likely future of the Kashmir crisis? The most probable scenario is a continuation of the present situation for the next several months. The Indian government, through a policy of civilian and military repression, will be able to restore order, if not law, in Kashmir. In August Indian security forces arrested much of the JKLF leadership. If it restores a modicum of order in the state, India will still have to move rapidly on both domestic and external fronts. Domestically, it must specify a date for state-level elections and permit a slow renewal of the legitimate political process. This will not be an easy task; the Indian government lacks a viable political center in Kashmir. Nevertheless the alternative to this process could have important adverse consequences for both the present regime and the nation.

Domestic attempts to restore popular legitimacy in Kashmir must be coupled with a willingness to start a dialogue with Pakistan. This does not entail making territorial concessions—no government in India could possibly survive such a move. However, other irritations could be effectively tackled, like the tense situation along the Siachen Glacier in northern Kashmir, where Indian and Pakistani troops have been in a standoff for the past several years. While a resolution of the Siachen issue will not address Pakistan's present claim to Kashmir, it can nevertheless serve as a first step toward reaching a more pragmatic solution to the dispute. One possibility might be a formal acceptance of the status quo by both sides for the next twenty or so years, coupled with a "no-war" pact. In effect this proposal would be the logical successor to the Simla agreement.

The failure to defuse the crisis in Kashmir has important domestic consequences for India and Pakistan as well as

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ramifications for the entire subcontinent. For Pakistan a continuing insurgency and concomitant repressive Indian policies in Kashmir will provide a useful rallying theme for any regime, civilian or military. It will also provide a constant temptation to intervene in Kashmir, thereby contributing to tense Indo-Pakistani relations.

For India, a failure to reach political accommodation in Kashmir and reliance on the army to maintain public order could lead to a further erosion of its democratic institutions. The Indian army has long been apolitical, but it is now being increasingly called on to restore public order and may not remain politically neutral for an indefinite future. A continuing insurgency in Kashmir also bodes ill for the secular ethos of the Indian state. If the tides of Islamic fundamentalist sentiment do not ebb in Kashmir they may well lead to a spate of anti-Muslim sentiment throughout northern India. These two developments could have fundamentally corrosive effects on the two most important edifices of the Indian polity—democracy and secularism.

At both regional and international levels this scenario is also fraught with considerable danger. An extended insurgency in Kashmir is likely to lead to continuing small-scale border skirmishes between India and Pakistan with the ever-present possibility of inadvertent escalation. It may also tempt India to provide support for Pakistan's own incipient separatist movements in Sind and Baluchistan, leading to a situation of pervasive instability in an area stretching from Afghanistan to the Punjab. It would also prevent India from moving ahead with a settlement of its long-standing border dispute with China, as this involves portions of Kashmir as well.

VIII

As the United States works to influence the emerging post-Cold War order, it must consider which political norms it wishes to encourage. The Kashmir conflict and its resolution will set important global precedents implicating several issues. First, there is the question of the proper mechanism for the resolution of long-standing border disputes. Both Pakistan and India nominally claim the entire state of Kashmir. Yet the borders of Kashmir have not been fundamentally altered since the U.N. ceasefire agreement of 1949. Will the United States now support attempts to change lines of control that have remained largely fixed over four decades? And in this context,

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what attitude will it take regarding aid to insurgencies across national borders?

Second, what stand will the United States adopt on the proper role of religion in government? Will it support India's claim that religious differences can be accommodated within the framework of freedom of worship and the separation of religion and state? Third, the United States must also consider the proper unit of self-determination. Will Washington accept that a culturally diverse polity constitutes an appropriate unit, provided it adheres to democratic norms not inferior to practices prevailing in other states in the region? Or will it call for a stricter test of cultural and religious homogeneity as the basis for self-determination?

It is also in the U.S. interest to prevent the outbreak of another war in South Asia. At a time of declining regional tensions (Saddam Hussein's invasion of Kuwait notwithstanding), a war on the subcontinent would divert U.S. attention from ongoing attempts to shape a new world order. Another Indo-Pakistani war would almost inevitably lead to the overt nuclearization of the subcontinent. Both nations, in all likelihood, already possess crude nuclear forces.[6] In 1974 India demonstrated its capacity to conduct nuclear explosions, while Pakistani agents have been arrested in the United States in attempts to export items that could serve as the triggering devices for nuclear weapons. The overt nuclearization of either country coupled with emerging ballistic missile capabilities would leave U.S. nonproliferation policy in a shambles.

The United States also needs to consider the possibility that an Indo-Pakistani conflict may not remain confined to the subcontinent. Though the possibility of direct Arab intervention is remote, small but significant support may come from the more conservative members of the Arab world. Their support could prolong and spread the conflict to the Middle East, leading to the prospect of a much wider war. Given the easing of East-West tensions, it is imperative that the United States devote comparable attention to the avoidance of a potential Indo-Pakistani conflict and that both India and Pakistan work toward a peaceful resolution of the conflict.

[6] General Krishnaswami Sundarji, as quoted in an interview with Michael O'Rourke, *Far Eastern Economic Review*, Sept. 13, 1990, pp. 24–25.

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Theodore H. Moran

INTERNATIONAL ECONOMICS AND NATIONAL SECURITY

The list of international economic problems that will trouble policymakers in the 1990s is long and diverse. Among the most important issues for U.S. national security are three that pertain primarily to relations among the developed countries: encouraging stability and reform in the Soviet Union, maintaining a cooperative U.S.-Japanese relationship, and avoiding vulnerabilities from the globalization of America's defense industrial base. Three more major issues facing the United States have a North-South dimension: reducing dependence on oil from the Persian Gulf, moderating the impact on the Third World of the prolonged debt crisis, and limiting the damage from the narcotics trade.

Clearly this list is not exhaustive; it could be lengthened without difficulty. Several issues that deserve emphasis in purely economic terms—from the outcome of the multilateral trade negotiations, to the competitiveness of American industry, to the future of the U.S. budget deficit—weave their way in and out of the entire list.

In the six primary areas examined here, U.S. national security policy in the 1990s faces a challenge of a different order than that confronted during the Cold War period: not clear and present dangers requiring great sacrifices, but dim and distant dangers calling for small sacrifices. The array of threats to American well-being on today's horizon is no less real than in earlier periods and in some cases may turn out to be even more troublesome. But meeting these threats will require a new kind of leadership: the management of the mundane.

Before turning to the broader theme of economic policy and the evolving strategic concerns of the United States, it is important to look closely at each issue on its own terms.

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II

Does the United States have an interest in joining with other countries to provide large-scale financial support to the Soviet Union as that country struggles to transform its economy?

The deterioration of the economy in the Soviet Union has been so precipitous that it has become fashionable for experts to vie with one another in exposing new weaknesses. In April 1990 the Central Intelligence Agency calculated the Soviet gross national product to be no more than half that of the United States. Viktor Belking, a prominent economist from the Soviet Academy of Sciences, promptly pronounced the CIA figures too optimistic, asserting Soviet output was at most little more than a quarter of the American GNP. The combination of shortages, inflation and regional blockages has made it difficult to assess even the current rate of economic decline with any accuracy.

The question of whether the major capitalist powers should provide assistance has taken on fiercely partisan overtones in the United States. One side hopes such assistance might strengthen the effort to lead the Soviet Union in directions beneficial to the West. The other side fears such assistance might prop up a decaying authoritarian state and provide succor to its military establishment, which otherwise would disintegrate and disappear as a threat.

There are three economic arguments as to why external assistance would be a good idea. First, a supply of working capital, bridge financing, support for ruble convertibility, and infrastructure development is necessary before domestic markets and foreign investment can begin to work on their own. Second, outside assistance could take advantage of economies of scale in a coordinated effort to address multiple problems simultaneously. Third, it could capture a unique opportunity to provide incentives to see that reforms stay on track. The objective would be to help buffer the transition, since pain (higher prices, harder work, less job security, more unemployment) will come before any gain (greater investment, higher productivity, larger output).

The economic argument against external assistance, which so far has carried the day, is that the Soviet leadership has simply not yet made a firm decision in favor of transforming the economy to a market-based system. The Soviet Union is not like the other countries of Eastern Europe. It has a low

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level of foreign debt ($48 billion), large gold reserves ($30 billion) and vast resources available for development (American oil companies, for example, report a sizable inventory of already discovered fields lying idle for lack of capital and technology). In short, it is argued, the Soviet Union has the wherewithal to undertake determined action on its own.

Yet so far Soviet market reforms, at least until the 500-Day Plan, have been halting and indecisive. State ministries continue to exercise monopolistic power as buyers and sellers of goods. A plan to make the ruble convertible has yet to appear. Therefore, foreign assistance at this time might well serve the Soviets as a substitute for making tough domestic choices.

The stakes are high. A reinvigorization of the Soviet economy along market lines would add to European (and world) growth—incalculably more than would the resuscitation of Poland, for example, or Czechoslovakia, for which the industrial powers are willing to spend generous sums. Stagnation and decline in the Soviet economy, in contrast, will constitute a great drag on European prospects. Most ominous, of course, is the prospect that failure to integrate the U.S.S.R. into the Western economic order may result in chaos and disintegration in Russia and, ultimately, a return to a resentful and authoritarian Soviet regime, still in control of awesome military assets. Then, indeed, there could be serious concern that "decaying superpowers do not go quietly into the night."[1]

External assistance for the evolution of the Soviet Union into a stable market-based confederation of republics with growing economic links to the industrial democracies would be a feat worthy of comparison with the original Marshall Plan. Like the revival of Europe after the Second World War, it will depend primarily on courageous decisions made internally under highly uncertain circumstances. But a successful outcome will almost certainly require external assistance of Marshall Plan dimensions as well, for support and reassurance. For fundamental reform to work, there will have to be a major program of economic conversion and reconstruction lasting over an extended period of years—preferably in the form of loans under the auspices of the International Monetary Fund and the World Bank. Of course, the effort may fail, but historians, looking back at the decade of the 1990s, will be

[1] Z, "To the Stalin Mausoleum," *Daedalus*, Winter 1990, p. 297.

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astounded if the opportunity is allowed to pass with no attempt to seize it.

Some kinds of small-scale aid might be particularly effective; for example, support for infrastructure projects at the municipal or republic level designed to lend credibility to local efforts at reform, thereby avoiding the criticism that foreign aid encourages foot-dragging. Technical assistance would also help. But these will provide scant relief if the underlying economy is simply disintegrating. On the other hand, the original Marshall Plan would cost no more than $84 billion in 1990 dollars, only one-fifth of which would be borne by the United States (in proportion to its IMF-World Bank share), or approximately one-tenth the present net cost of the S&L bailout. And a major element of an economic reconstruction package, a large stabilization loan to support the convertibility of the ruble, need not involve the actual expenditure of foreign funds at all if the currency shift is successful. Once convertibility is achieved the expansion of foreign investment and trade will be much easier; without it, the expectation that foreign investment and trade will lead the process of restoring stability and growth to the Soviet economy is implausible.

For the idea of assisting the reconversion of the Soviet economy to be adopted, however, American leaders will have to persuade the public that such resources are better devoted to the Soviet Union than to competing—and worthy—causes at home. That will be no easy task.

III

How should the United States approach the U.S.-Japanese relationship? Should it be tougher or softer, more hard-line or more accommodationist in the 1990s?

The growth in Japan's economy between 1950 and 1990 represents the most rapid peacetime shift in relative economic status in the history of the world. Such explosive change on the part of a single nation could not but cause substantial dislocation to other nations. Helping to fuel resentment at the necessity to adjust, of course, is the fact that Japanese success is due in part to unfair trade practices, in particular the protection of Japan's local market from imports and the promotion of certain sectors for export-led growth.

The persistence of a large bilateral trade deficit with Japan has led to proposals that the United States shift to a tougher posture, demanding reciprocity in access between the two

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markets and threatening exclusion of Japanese products to the extent equal access is not achieved. The argument on behalf of this approach extends beyond mere Japan-bashing; the contention is that only a "results-oriented" approach will reduce the trade imbalance with a partner for whom the abstract exhortation to "open markets" has no meaning.

The difficulty with this approach is that all Japan's unfair trade practices, taken together, block no more than $8 billion to $15 billion in potential sales, whereas the recurrent bilateral trade deficit ranges between $35 billion and $40 billion. The fundamental cause of the imbalance lies in the disparity between savings and consumption in the two countries: the United States consumes more than it produces and does not save enough to build the additional productive capacity to make up the difference, leading to a trade deficit that supplies excess American consumption and inflows of foreign capital that make up for insufficient American savings. Thus, even the most aggressive market-opening demands on the part of the United States would leave the largest part of the problem untouched, unless there is a simultaneous change in underlying U.S. behavior toward savings and consumption, including public consumption as embodied in the federal deficit. Technically, macro-imbalances account for the entire deficit, with trade practices affecting only the composition of that deficit. The correct focus for U.S. policy, of course, is equilibrium in the country's overall trade balance, not equality in each bilateral balance. Threatening Japan with dire consequences cannot produce the desired results in the absence of a fundamental commitment to address America's own macroeconomic misalignment at the same time.

Moreover, the hard-line stance is likely to fuel resentment in Japan without producing relief. The combination of growing Japanese anti-Americanism and a changing geostrategic environment, in which the need for the U.S. nuclear umbrella is disappearing, renders it no longer implausible that the United States might push Japan too far and even fracture the U.S.-Japanese alliance. At the extreme, maverick positions taken in Japan such as those of Shintaro Ishihara and Akio Morita who argue in their book, *The Japan That Can Say No*, that Japan should play a more forceful role by standing up to America, or others who urge the exploration of fundamentally new political-economic relationships for Japan, could become more prevalent in Japanese politics.

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Does this mean that a benign stance is appropriate for U.S. policymakers, accepting a slower pace of liberalization in Japanese markets and greater toleration for American macroeconomic disparities in the consumption/savings ratio? Those who argue in the affirmative note that changes in Japanese consumer behavior combined with the evolving demography of the Japanese population will ultimately re-equilibrate the U.S.-Japanese economic relationship without any need for radical alterations in either country's policies. In the long run, the greater proportion of Japanese retirees (who consume more) in relation to younger workers (who save more), accompanied by changes in spending habits on the part of all individuals, will move the Japanese economy naturally toward greater consumption and away from savings and investment.

The problem with this approach is that the long run is likely to take too long. The demographic shift in Japan will have its major impact after the year 2000. In the meantime the competitive position of American industry could undergo a genuinely serious weakening. The lower savings rate in the United States raises the cost of capital; long-term investment projects cost American firms two to three times what Japanese firms must provide, and demand a payback period roughly twice as quick (six years for American firms versus more than ten for the Japanese, with European companies falling in between). The higher cost of capital in fact goes a long way toward explaining the infamously short time horizons of American managers; it suggests that the relatively myopic planning calculations of U.S. corporations will not change fundamentally until the cost of capital declines, no matter what happens to capital gains taxes, Wall Street influences, leveraged buyouts and the like.

Overall the savings/consumption imbalance in the United States constitutes a drag on American competitiveness far greater than trade barriers abroad. Meanwhile the savings/investment gap is being filled with foreign investment. Should the buildup of net dollar surpluses overseas and the corresponding conversion into dollar assets in the United States continue until such time as demographic trends in Japan and elsewhere right the balance, the effect of the foreign acquisition of American business, combined with the weakening of those that remain in American hands could reach proportions that have real security consequences for the United States.

American policy, therefore, faces the task of preventing the

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political process from tilting too far in either direction, toward Japan-bashing at one extreme or toward toleration of economic imbalances at the other. The goal of preserving a close U.S.-Japanese political relationship requires a delicate balance of maintaining well-justified pressure against Japan's unfair trade practices while addressing—rather than avoiding—American responsibility for the fundamental economic misalignment.

IV

The third challenge to U.S. national security on the international economic agenda is the globalization of the defense industrial base. Technological prowess and production sites for goods and services vital to the U.S. economy are spread more broadly across the globe than ever before. The Department of Defense has reported that the lead in developing one-quarter of the technologies most essential to American industry is held by non-U.S. firms, and a growing proportion of the products and components needed for defense come from abroad.

On the one hand, this globalization carries great benefits. It brings superior performance, innovation and lower prices for military as well as commercial purchasers. This is the aspect that traditional economic analysis tends to emphasize, celebrating the benefits of comparative advantage and dismissing concerns about the nationality of supplier firms or the location of production sites.

On the other hand, globalization does pose real threats, threats that could become more, not less, prominent as the Cold War recedes. A survey of post-World War II experience suggests that external domination of technology, goods and services may well lead to persistent attempts at meddling, manipulation and harassment in the recipients' sovereign affairs, even in peacetime relations among allies. Such interference has ranged from denial of computer technology to inhibit De Gaulle's *force de frappe*, to insistence on permission to reexport products that incorporate foreign inputs to designated areas (China, Cuba, several Middle Eastern states), to retroactive cancellation of licensing agreements (the Soviet gas pipeline case). Since the United States has frequently been the manipulator, it has largely ignored the prospect of experiencing the process in reverse, until now. There is a legitimate concern about American vulnerability as local industries cru-

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cial to defense disappear, and high-tech firms are acquired by foreigners.

One response is for the United States to turn in a neomercantilistic direction itself, protecting its own industrial base (as America has already done with steel, machine tools, even textiles), devising an industrial policy to support its own national champions (the joint public/private Sematech semiconductor research venture, the 1986 American-Japanese Semiconductor Agreement, a civilian Defense Advanced Research Agency), blocking foreign takeovers (Fairchild, Perkin-Elmer), and requiring the U.S. government to "buy American" (ball bearings, machine tools).

But the neomercantilistic response saddles American users of steel or machine tools or semiconductors with high-cost inputs, and reduces their competitiveness even further vis-à-vis foreign rivals (a 25 percent cost disadvantage for steel users, a 50 percent cost disadvantage for semiconductor users who produce high-tech products.) Moreover, there is no evidence the U.S. government can pick "winners" for public support appropriately, or ensure that political forces do not divert such support to "losers" instead. How, then, can the United States cope with this dilemma?

In all cases of external interference, the threat from foreign dependence is genuine only when there is a concentration within a very few nations of external suppliers of technology, products or inputs. When sources of supply have been well dispersed internationally there has been no ability to control, to delay or to deny, and hence no real peacetime threat. As a rule of thumb, when there are more than four foreign companies or four foreign nations supplying more than fifty percent of the world market, they will lack the ability to collude effectively even if they wish to exploit or manipulate recipients. This "four-fifty" rule provides a useful guide for designing U.S. policies.[2]

For American industries that are being "wiped out" by imports, those in which the sources of external supply are concentrated do represent a source of concern and should be eligible for legitimate "national security" trade protection; those in which the sources of external supply are deconcentrated do not. By this concentration test, semiconductor equip-

[2] Theodore H. Moran, "The Globalization of America's Defense Industries: Managing the Threat of Foreign Dependence," *International Security*, Summer 1990, pp. 57–100.

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ment manufactures would qualify for national security protection, textiles and footwear manufactures would not. Similarly, within an industry, subcategories of high-performance machine tools might be concentrated enough to justify protection, but measures to restrict imports of standardized cutters and grinders that have multiple suppliers would not be justified. This would provide for legitimate American security interests without incurring the costs of blanket protectionism.[3]

For American firms that have been targets of foreign acquisition, the degree of concentration in the world industry again provides the relevant screening measure. Even in cases in which a U.S. target firm is the only American producer of a given product, a foreign acquisition should be allowed to proceed by CFIUS (the Committee on Foreign Investment in the United States, an interagency body that advises the president, given new status by the Exon-Florio Amendment to the 1988 Ominbus Trade and Competitiveness Act) so long as there are multiple external suppliers. If the external sources are concentrated in only a few hands, the acquisition should be blocked by CFIUS and, if need be, the U.S. parent firm granted national security protection (as, for example, in the case of Perkin-Elmer's advanced lithography unit for semiconductor fabrication, sought by Nikon in an industry with very few producers).

In sum, the security objective of maximizing efficiency and innovation in vital national industries while avoiding foreign dependence requires channeling popular protectionist and neomercantilistic instincts into those narrow areas in which foreign domination actually poses a genuine threat.

V

Turning to the North-South axis, the first question is: How can the United States use the domestic shock from the confrontation with Iraq to avoid even more severe energy shortages in future?

[3] When "national security" trade protection is granted, the most appropriate form is a tariff. A tariff is less distorting than a quota, and the rents go to the home government instead of to the foreign firms. A voluntary restraint agreement (a common kind of quota) not only penalizes consumers but provides extra profits to external suppliers, strengthening their competitive position vis à vis domestic companies. The national security community should be particularly skeptical of proposals for managed trade, such as Henry Kissinger and Cyrus Vance, among others, have advocated: the implementation of managed trade requires cartelization by foreign governments, which then apportion privileged access to the U.S. market among their own industries. See Henry Kissinger and Cyrus Vance, "Bipartisan Objectives for Foreign Policy," *Foreign Affairs*, Summer 1988, pp. 899–921.

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The Iraqi invasion of Kuwait has reawakened public consciousness to the extent of American dependence on imported oil. The restoration of stability in the Persian Gulf will provide only temporary relief, however, to the looming prospect of energy crises in the 1990s. In the absence of policy changes, the United States is likely to be importing between 55 percent and 65 percent of the oil it consumes by the end of the 1990s, and more than two-thirds after the year 2000. The previous historical high for import dependence was 47 percent in 1977; the figure for 1973 when the first oil crisis struck was 35 percent.

The price projections that accompany this growing dependence on imported oil vary widely, by more than 60 percent, due to uncertainties about the cohesion and strategy of the Organization of Petroleum Exporting Countries (imprudent price rises in the 1980s nearly destroyed the cartel). What is more certain is that the production volumes demanded from OPEC will rise substantially (from 22 percent to 39 percent greater than today by the year 2000), with increasing concentration in the Persian Gulf and Libya. The expansion of output from Saudi Arabia, the United Arab Emirates and Venezuela in response to the blockade of Iraq and Kuwait in fact has revealed the narrow availability of excess capacity. By the mid-to-late 1990s the number of major OPEC exporters will have shrunk, with Gabon, Ecuador, Algeria and even Indonesia and Nigeria consuming domestically much of what they produce. Since 1985, 90 percent of the increase in world oil production has come from the Persian Gulf, a trend that will continue in the 1990s as non-OPEC countries reach a production plateau.

Adding to the energy vulnerability of the United States in the 1990s is the dilemma faced by electrical utilities as they seek to build the next generation of power facilities. In the 1970s and 1980s electrical utility capacity was in oversupply, leading to low rates of new construction. In the early 1990s electricity demand is overtaking production capacity at the very moment when there is strong opposition to the two principal sources of baseload output, coal and nuclear power. As a result utilities are returning to oil, raising usage by more than 30 percent. This supplements the demand for petroleum consumed in the transportation sector.

The United States and other industrial democracies are better off than they were during the oil crises of 1973 or 1979

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since they have petroleum reserves to draw upon in a crisis. In general, however, the prospects for energy vulnerability are growing ever more worrisome, especially given growing military capabilities for long-range destruction among the countries in the Persian Gulf. Upheavals there could come to have a genuinely devastating impact on the international economy.

In the not-too-distant future, the unimpeded spread of dual-use technologies could lead to a new delivery-system "package," in some ways even more worrisome than ballistic missiles. The package consists of two parts: first, relatively inexpensive drone airplanes, constructed with low-observable simple composite materials (e.g., fiberglass) built around increasingly efficient turbofan engines, which are currently available from American, European, Indian and Brazilian sources; second, increasingly available in-flight navigational updating from multiple commercial sources (U.S., Soviet, French, Chinese, Japanese, Brazilian and Israeli satellites with Sony, Motorola or Hughes communication downlinks).

Such a package creates a "poor man's cruise missile." By the mid-to-late 1990s this system will compete with ballistic missiles as a delivery vehicle. It will provide a burgeoning number of Third World countries with an ability for quasi-precise theater bombardment, without the considerable cost of maintaining a fleet of high-performance airplanes and pilots. Deployable in large numbers, with semi-stealthy flight characteristics, these vehicles will be capable of carrying chemical or other high-explosive warheads (although they will not, of course, have the terrain-hugging flight patterns of advanced cruise missiles).

The presence of these delivery vehicles will exacerbate the problem of supplier competition, making control over ballistic-missile technology even more difficult. Altogether, the evolution of technological capabilities will magnify the destructiveness of regional military conflicts, raise the probability of conflicts during periods of crisis—given the destabilizing advantages to each side of preempting the other—and make intervention by major powers much more costly and risky.

Policy recommendations for reducing vulnerability to oil imports from the Persian Gulf would have to combine conservation with the promotion of domestic sources of supply (especially for electricity). For conservation, the most efficient approach is to continue to raise energy taxes, which will still be lower in the United States than elsewhere (taxes reach $1.20 to

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$3.00 per gallon of gasoline in Europe and Japan).[4] Energy taxes are appealing in revenue terms; each 10¢ increase in gasoline taxes, for example, generates approximately $6 billion in government receipts (allowing for the drag on the economy). For environmental reasons (global warming, acid rain), some analysts recommend a more general carbon tax and a turn away from coal.

For promotion of domestic sources of supply, solar energy has long-term appeal, but nuclear power offers the only realistic alternative to coal for the next generation of utilities.

Both options have strong domestic opposition. But difficult choices about substantially higher energy taxes and the resumption of nuclear plant construction are unavoidable if the United States is to decelerate the rate of growth of imported oil to a more moderate pace from the current headlong rush.

VI

The security implications of relations with the Third World are not limited to the energy supply from the Persian Gulf. What are broader U.S. concerns in regard to the less developed countries (LDCs) as Cold War anxieties diminish?

With the exception of East Asia, the Third World is just ending a "lost decade" in which the attempt to pay off foreign loans with a net capital outflow of $20 billion per year from South to North has reduced per capita living standards by more than ten percent in real terms, producing a social setback greater than the Great Depression of the 1930s.

Any analysis of the causes of the debt crisis bestows an abundance of blame on all parties. Public and private borrowers sought, and commercial banks provided, funding for many dubious projects in the late 1970s. Then, the dramatic rise in U.S. interest rates from 9 percent to 19 percent in the period 1978–81, followed by recession in the developed countries and the consequent collapse of commodity prices, left both LDC borrowers and bank creditors unexpectedly overextended. The interest expense to Argentina, Brazil and Mexico, for

[4] For those who stress reliance on market signals, the argument for an energy tax is that the play of supply and demand among private parties creates a price that does not adequately reflect the potential social costs associated with concentrated dependence on a particularly volatile supplier; to the market price, consequently, should be added a "national security premium." For those concerned about a "level playing field" for U.S. competitiveness, an energy tax of up to $2-$3 per gallon of gasoline would simply match the burden borne by Asian and European firms.

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example, tripled, while the terms of trade dropped by almost ten percent.

Initially, the United States, in its "Baker Plan," gave priority to maintaining the viability of the international financial system by seeking to ensure the health of the commercial banks. The succeeding "Brady Plan" has for the first time permitted discussion of the concept of debt relief for the LDC borrowers. The Brady Plan combines a U.S. Treasury bond guarantee for the principal of new, discounted bonds plus IMF-World Bank guarantees for interest payments, in return for domestic policy reforms in the debtor countries. It has been expanded in 1990 to include the possibility of relief on debt owed to governments as well as commercial banks.

The case of Mexico has perhaps greatest salience. The United States welcomed the inauguration of Mexican President Carlos Salinas de Gortari, whose administration had more coherence and ideological commitment to market forces than any other in the past quarter century. Mexico, consequently, became the showcase for the Brady Plan. But at the end of long negotiations relying on voluntary participation by the banks, the magnitude of the relief in fact turned out to be quite small (approximately 35 percent in comparison to discounts on Mexican loans in the secondary market of between 50 percent and 70 percent prior to the Brady Plan). The outcome raises doubts about the utility of allocating scarce public resources to a program that fails to reduce the debt burden sufficiently to "jump start" an economy.

One alternative might be to press for greater debt relief under IMF auspices in return for sensible domestic policies without permitting commercial bank cooperation to be merely voluntary. To a certain extent, this option has been overtaken by the guarantee features of the Brady Plan, at least in the Mexican case. The new U.S. Treasury-backed bonds embodying the 35 percent reduction are designed explicitly for broad resale by the commercial banks, rendering impractical subsequent renegotiation with widely dispersed creditors. Likewise, the stream of interest payments supported with IMF set-asides cannot be reduced without simply transferring the burden of payment onto the IMF and the World Bank. The modest outcome of the Brady Plan in the Mexican case may thus be permanently locked in.

Looking to the future, for Mexico to regain its economic momentum will require that it reach and sustain throughout

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the 1990s more favorable economic conditions than have yet been achieved. For Latin America as a whole to "grow out" of the debt crisis, economic expansion must average five to six percent per year through the late 1990s, replacing the current rate of less than two percent. Adding to the growing pessimism that this can happen is evidence that the potential boost that could come with further repatriation of "flight capital" is not likely to occur simply with the introduction of favorable LDC policy changes (since many are by now already in place), but only with the appearance of growth-induced profits themselves, creating a catch-22 for the prospects of sustained economic growth.

For other countries, such as Brazil and Argentina (there are 36 remaining countries eligible for assistance by the Brady Plan), postponement of debt repayment is taking place de facto, if only because their dire straits do not permit a Brady Plan negotiation of Mexican dimensions. The outcome is turning out to be the worst of all worlds, however, a slow-motion slide toward bankruptcy without the "new start" that actual bankruptcy proceedings afford.

The very "success" of the Brady Plan, which provides strong guarantees but only small debt relief, shifts the burden for turning around the LDC economies to the other side of the equation, trying to solve the debt problem via the expansion of trade. Here the outcome rides to a great extent on the results of the Uruguay Round of multilateral trade negotiations. The key market-opening initiatives for the Third World (with special importance for Mexico, Central America and the Caribbean as well as the rest of Latin America, involving textiles and apparel, leather goods, footware, ceramics, sugar, fruits and vegetables and other agricultural products) are highly sensitive. Concessions may be politically palatable to the developed countries only in a context that simultaneously includes breakthroughs on the issues of most benefit to them, such as services, intellectual property and unfair trade practices. In short, the Uruguay Round will have to be a major triumph to touch those areas of most importance to the Third World.

An alternative might be a free trade agreement with Mexico. But since a bilateral pact would offer Mexico many fewer compensating gains than would a global agreement, the price paid by the United States in politically sensitive labor-intensive industries would have to be significantly greater. Over the

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medium term, while higher oil prices may boost Mexico's growth prospects, the corresponding slower economic expansion (or recession) in the United States will stiffen resistance to trade liberalization. Extending the free trade idea to all of Latin America, as the Bush Administration has proposed, would attenuate the benefit for Mexico, and still be more costly to the United States and less beneficial to the recipients than a global approach.

Over the course of the 1990s, as Cold War preoccupations fade, American policymakers will not be able to relax their geopolitical concern about the economic and political fate of the Third World, especially Latin America. They will have to develop new visions of mutually beneficial economic engagement persuasive enough to overcome short-sighted opposition to concessions on trade and debt.

VII

Finally, there is the pernicious problem of narcotics. To deal with the growing dimensions of narcotics trade, George Shultz and Milton Friedman have articulated the starting point of most economists when faced with a powerful cartel, namely, decriminalization as a means to eliminate the basis by which the cartel controls the market. This approach, Shultz and Friedman argue, would undermine the ability of producers and traffickers to reap such high profits and eliminate the incentive for drug pushers to get young people addicted.

The consequences, however, are more complicated than the proponents of decriminalization first envisioned. The outcome might be an expanded underclass of addicts, prone, in the case of crack cocaine, to particularly destructive, paranoid behavior.

On the other hand, the profitability of the current system is so great that even dramatically improved success in supply-side enforcement (interdiction of production and distribution) will only marginally offset the incentive for generating new sources. The prospect of providing alternative economic opportunities to woo Peruvian, Colombian and Bolivian peasants away from coca production appears dim when one considers that marijuana has come to be the largest cash crop of California's rich, fertile and irrigated agricultural regions, where alternative opportunities are abundant. It is not implausible, therefore, that narcotics traffic could proceed in its growth to nation-state-threatening dimensions, unless the cur-

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rent system of oligopoly pricing is eliminated. More generally, the drug trade may become the successor to the Cold War in providing resources to sustain worldwide terrorist activity.

To prevent this from happening, political leaders may have to let national security considerations tilt the highly sensitive domestic debate in the direction of decriminalization.

VIII

This survey of the international economic issues that will gain increasing prominence on the national security agenda as the Cold War recedes suggests an array of policy alternatives and preferred outcomes. Certain economic themes appear and reappear.

Continued improvement in the budget deficit, for example, is desirable in economic terms to help restore the balance between savings and consumption, to lower the cost of capital in the United States, to improve the competitive position of American companies and strengthen the defense industrial base in a period of globalization, and to re-equilibrate U.S.-Japanese relations and maintain trans-Pacific as well as trans-Atlantic political ties with post-1992 Europe as international economic competition intensifies.

The success of the Uruguay Round of trade negotiations would be favorable to diverse issues. A successful outcome would not only improve trade efficiency and expand the range of comparative advantage, as economists are wont to argue, but play a central role in bolstering political stability for countries still struggling with the debt crisis. Success in multilateral trade agreements will likewise ease the pressure for more insulated neomercantilistic blocs in Europe, Asia and North America and help build the economic "substructure" to support the "superstructure" of ongoing political coordination among the industrial democracies.

Better macroeconomic performance on the part of the United States is not only an economic objective but also a growing strategic concern if the nation is to maintain a position of leadership in national security affairs worldwide. New resources are needed to pursue the option of offering assistance to Eastern Europe and the Soviet Union, as well as providing economic and military aid to allies in the Third World beleaguered by nearby enemies (the Middle East and Persian Gulf) or within their own borders (the narcotics-producing countries of Latin America). The analysis of the

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relationship between the cost of capital and the competitiveness of American business suggests that future attempts to seek resources by raising the corporate tax rate would be counterproductive. The requirement to balance savings and consumption carries a public policy preference to reward the former and penalize the latter. The need to hold down the growth in energy usage in particular points to further boosts in the gasoline tax. (There may be other candidates for new revenue as well, like a value-added or general consumption tax.)

Overall, the economics agenda gives national security strategists much to think about in considering relations with the major powers, the Soviet Union, Europe and Japan. It also suggests, however, that the Third World will be the source of renewed preoccupation for the national security community for reasons that have nothing to do with U.S.-Soviet competition. International economic policies that ignore the importance of restoring Third World growth and stability would bode ill for the longer term security environment.

Searching for solutions across all the topics from the economics agenda, there is a final conclusion that is greater than the sum of the parts: the distinction between high politics (vital interests affecting national security) and low politics (petty questions of economic dispute and rivalry among states) may be disappearing. In the post-Cold War world, low politics is becoming high politics.

The traditional difference is that high politics involves clear threats to the nation, and therefore lends itself to the formation of domestic consensus, whereas low politics involves issues that are much more likely to be mired in domestic struggles for short-term partisan advantage. In the security environment of the future, dangers are likely to be more diffuse, the connections between them and the policies needed to respond to them more murky, and the need for sacrifice in order to advance national interests more opaque than in the period of bipolar antagonism.

The ultimate question for the United States in the post-Cold War era, therefore, may be one of governance: how to achieve the consensus and the continuity of domestic policy in the realm of low politics that are now required for America to continue as a great power into the 21st century.

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Hanns W. Maull

GERMANY AND JAPAN: THE NEW CIVILIAN POWERS

As the postwar international order dissolves, some of the initial concerns that informed and shaped it are resurfacing. One key objective of this old order was the containment of Japanese and German military expansionism and its threat to the international status quo in the Far East and Europe. This was achieved brilliantly by embracing both countries in an American-led alliance system directed against a new adversary, the Soviet Union. This rationale is rapidly fading now, and old specters once more raise their ugly heads; the power of Japan and Germany has again become a cause of concern for their partners in the alliance.

Some observers fear a return of either state (or both) to traditional temptations of military power politics and suspect that Japan or Germany may revert to challenging the status quo, or perhaps even try to replace it with a "Pax Nipponica" or "Pax Teutonica." Others worry about the implications of a changing distribution of economic power as a result of Germany's and Japan's single-minded pursuit of economic gain abroad and tendencies toward parochial and closed societies and economies at home.

Most fears about Japanese and/or German revanchism turn less on perceived political strategies by today's leaderships in Tokyo or Bonn than on the dynamics of ungovernable change. German unification and its impact on the alliance are seen in terms of a "runaway freight train" headed for collision as a result of sheer momentum and the inability or unwillingness of the drivers to apply the brakes. And as for Japan, we are told by a "revisionist" that nobody really is in charge there.[1] The forces of change in the postwar era, which have worked so

[1] This is the central thesis of Karel van Wolferen's *The Enigma of Japanese Power*, New York: Knopf, 1989.

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powerfully in favor of the West and against the East, are now seen as threatening American control over events.

Those concerns no doubt reflect certain realities. The redistribution and growing diffusion of economic weight is a fact (although it is often not appreciated that the U.S. share of gross world product actually grew in the 1980s). It also seems correct to suggest that the dynamics of international relations have shifted from the military-political sphere to economic and social developments—a shift that favors Japan and Germany, as economically dynamic and socially cohesive countries.

Yet on balance the alarmists are probably wrong—not because they do not identify trends correctly, but because they fail to put them in the proper perspective. International relations are not just undergoing a reshuffling of power hierarchies, but a sea-change affecting both the structure and substance of international politics. It is hardly surprising that the demise of the East-West conflict should direct our eyes (invited and guided along by Paul Kennedy's *The Rise and Fall of the Great Powers*) toward the traditional play of geopolitics—balance-of-power calculations, the struggle of nation-states for power and a relentless security dilemma. The question is whether this perspective really captures the essence of today's international relations. I would submit it does not, because elements of fundamental change have become more important than those of continuity. This implies, *inter alia*, that the term "power" no longer means what it used to: "hard" power, the ability to command others, is increasingly being replaced by "soft" (persuasive) power. Neither Japan nor Germany, then, is about to become a new superpower, for this role no longer exists in the old sense.

Nor is the United States about to be dethroned as the leader of the Western alliance, though this role, too, will continue to change. Rather, the United States will have to evolve into a new type of international power, of which Germany and Japan are already in a sense prototypes: it must become a civilian power. This implies: a) the acceptance of the necessity of cooperation with others in the pursuit of international objectives; b) the concentration on non-military, primarily economic, means to secure national goals, with military power left as a residual instrument serving essentially to safeguard other means of international interaction; and c) a willingness to develop suprana-

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tional structures to address critical issues of international management.[2]

The central argument of this essay is that international relations are undergoing a profound transformation that offers an opportunity to take history beyond the world of the nation-state, with its inherent security dilemmas and its tendency to adjust to change through war. As a result of their own hubris, the farsightedness of the American victors in World War II and a series of historical accidents, Germany and Japan now in some ways find themselves representing this new world of international relations. Circumstances, in a supreme example of irony, have turned them from "late modernizers" into prototypes of a promising future.

II

Although historical parallels between Japan and Germany extend from the mid-nineteenth century, the starting point of this exploration of the similarities in Germany's and Japan's roles in the modern world is their position at the end of World War II.

Both nations had lost ruthless gambles for regional supremacy and world power. The victors' most immediate and pressing concern was to ensure that German and Japanese militaristic expansionism would never again pose a threat to the international status quo. Sharp divisions developed among the former allies, however, and these came to supersede their concern about Germany and Japan. The result was the American strategy of "double containment," in which Germany and Japan were embraced as junior partners in the effort to contain the Soviet Union; at the same time they were firmly anchored in the U.S.-centered alliance system by a web of security, political and economic ties.[3] The logic of this strategy was put bluntly, but quite appropriately, by Lord Ismay, in his famous dictum about NATO's purpose in Europe (which could also have described, with a minor adjustment, U.S. policies toward the Japanese): "Keep the Americans in, the Russians out, and the Germans down."

Western policies toward Japan and Germany in the decade

[2] Richard Rosecrance has coined the term "trading state" to define this new paradigm (see his *The Rise of the Trading State*, New York: Basic Books, 1986). It basically conveys the same notions as the term "civilian power" but suggests a primarily economic orientation.

[3] The term "double containment" is Wolfram Hanrieder's (see his *Germany, America, Europe*, New Haven: Yale University Press, 1989).

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from 1945 to 1955, as well as the defeated nations' respective policy responses, thus bore considerable resemblances. Both Germany and Japan were subjected to selective screening and weeding out of the old elites, the dismemberment of industrial concentrations, and democratic reforms by the occupying powers. While the scope and intensity of those programs differed importantly between Japan and Germany (with the latter, for understandable reasons, being treated much more thoroughly), they helped indigenous democratic tendencies in both countries sufficiently to clear the path toward establishing sound democracies. Democracy in Japan and Germany today may not be perfect, but it looks strong enough to prevent any return toward militarism, fascism or nationalistic authoritarianism.[4]

The military defeat resulted for both countries in very substantial territorial amputations and—in the case of Germany—division between East and West. Japan saw its whole overseas empire dismantled. Less justifiably from the Japanese viewpoint, Japan also lost Okinawa and the Northern islands—territories that had clearly and firmly belonged to Japan proper for a long time. Germany lost the areas east of the Oder-Neisse line and (temporarily) the Saarland. It also was divided into two separate entities (although it must be added that this was not the result of a deliberate dismemberment—something that was considered during the war by the Allies, but eventually discarded—but of the escalation of the Cold War). Overall, this confronted both states with the loss of more than forty percent of their prewar territorial expanse, and a massive (and proportionately comparable) influx of people from those areas.

In territorial terms, the settlement of World War II was harsh—harsher in fact than that of World War I against Germany. This reflected the desire of the victors to weaken the two states decisively, but also was a result of the onset of the Cold War, which prevented territorial revision and deepened the partition of Germany. The results of the settlement have been challenged by both Germany and Japan, which have been unwilling to accept fully the postwar territorial status quo—let

[4] To substantiate this point would go beyond the scope of this article. For West Germany, perhaps the simplest way to support the argument is to point to the fact that West German democracy has already passed the ultimate test, a peaceful change in government, twice—in 1969 and in 1982. For Japan, this test still remains to be passed, and the democratic character of the Japanese political system has recently been subjected to much critical scrutiny.

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alone, in the case of Germany, the division of the nation. Revanchism nonetheless never became a serious problem in the postwar world. One reason was the democratic transformation of both countries.

More important, however, may have been another element: German and Japanese territorial demands were rapidly drawn into the East-West conflict. In this context, Germany and Japan were able to secure the return of territories taken over by the West (Saarland, Okinawa), while their demands directed against the Soviet Union were tied into the patterns of the broader international antagonism between East and West. As long as the Soviet Union was unwilling to consider concessions to German or Japanese territorial demands, both countries had to pursue their goals by enlisting U.S. support. Alternatively, a Soviet willingness even to consider territorial concessions offered Moscow opportunities to pry those countries away from their alliance with the West. Not surprisingly, therefore, Washington played an important role in scuttling exploration of Soviet signals to allow German reunification (1952, 1954–55) and to return two of the four Northern islands to Japan (1956). The allies also withheld support for West Germany's territorial demands east of the Oder-Neisse, but gave qualified backing to German reunification.

After the late 1950s, West German and Japanese demands for the territorial revision of the results of World War II acquired an unrealistic quality. The superpowers' interest in reducing tensions between the blocs collided with the position of Germany and Japan. Any serious revision of the territorial results of the postwar settlement would inevitably have undermined the whole postwar order. It was, therefore, hardly surprising that such demands found less and less serious support not only among the allies, but also among the foreign policy establishments in West Germany and Japan; the status quo was more stable, more predictable and, in the last analysis, more advantageous.

Insistence on the return of the lost territories and the reunification of Germany did provide internal political fodder and some external leverage, but this had no real effect on the disputed borders. Japan's political parties used the issue of the Northern Territories to bolster electoral support and to underpin their anti-Soviet orientation; West German conservatives saw reunification as a way to mobilize nationalist voters

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and those who had fled the East, and to strengthen sentiments of anticommunism and orientation toward the West. Unlike Japan, however, which could pursue this course at little real cost, West Germany confronted a serious dilemma: insistence on reunification and territorial revision contributed to tensions in Europe and blocked possibilities for alleviating the human burden of German and European partition. This eventually led to the *Ostpolitik* of the Social Democratic/Liberal coalition from 1969 onward, which explicitly recognized the Oder-Neisse boundary and the existence of a second German state, albeit as part of the German nation. The rationale of this policy was twofold: it was to be a means to reduce East-West tensions and a way, ironically, to undermine the partition of Germany and Europe by first recognizing it.

Both Japan and Germany accepted a renunciation of autonomous security policies. This monumental step profoundly transformed international politics in the direction that had been suggested by the European visionary, Jean Monnet—toward an international order created through mutually accepted reciprocal dependence. By ensuring that neither Germany nor Japan would be able to resume its past quest for military supremacy, it also removed or at least weakened regional security dilemmas arising out of fears of a revival of military expansionism, and thus enabled both Germany and Japan to integrate themselves better in their respective regions. In that sense, the postwar security arrangements by and for Germany and Japan were probably the key ingredient in the transformation of this postwar order: they made possible the effective stabilization of two critical regions, Europe and Northeast Asia, and thus established the military and political stability required to shift the emphasis of international relations to enhancing prosperity. The postwar settlement also enabled Japan and Germany to turn their national energies toward economic resurgence. Both became prototypes of the modern trading state.

A number of factors inclined Germany and Japan toward becoming economic superpowers. The security alliance with America provided both countries with a comparatively cheap solution for their defense problems, and gave them new international respectability. Blocked national aspirations could be rechanneled toward economic achievements through international exchanges—an ideal path for states that had seen their ambitions as traditional nation-states profoundly discred-

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ited and had renounced defense sovereignty. The American strategy of double containment also provided for economic integration into an open world economy, offering both countries initial financial support and a stable international economic environment.

To underline the parallels between Japan and Germany is not to ignore very substantial differences between the experiences of the two nations. The transformation has undoubtedly been more profound in the case of Germany; even after unification, it will be anything but a reborn Bismarckian empire. It will be a democratic and federal state, economically integrated, solidly anchored in the European Community and preoccupied with internal and regional problems of reconstruction and development, to which traditional military power has no relevance whatsoever. The webs of interdependence tying Germany to its partners in Europe and across the Atlantic are much more varied and broad than those between Japan and the West—the importance of European integration in this context can hardly be overestimated.

Japan, by comparison, has benefited less from the reappraisal that, on the whole, accepts the entrance of Germany into the mainstream of Western democracies. Thus, the burden of Japan's past (which arguably is much less extraordinary than Germany's) seems more of a political impediment than is the case with Germany; Japan's domestic political transformation from militarism to democracy seems less complete.

But Japan, too, has been profoundly changed in the past 45 years. There are few signs of a serious radical or militaristic threat to the present political system, and there remains a powerful undercurrent of pacificism with which the experience of the Second World War imbued Japanese society. Japan, like Germany, has traded significant parts of its sovereignty in favor of interdependence—by accepting American bases, by developing its defense capabilities in close coordination with the United States and by the sheer weight of its economic presence in America and other parts of the world.

Both Germany and Japan must now define their interests and objectives in the context of integration and interdependence, and pursue them through cooperation and negotiations with their partners. This makes a return to old policies nearly impossible.

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III

Nevertheless, Japan and Germany have once more become sources of concern to many Americans. Those concerns may be grouped around the following themes: old-fashioned national expansionism, either military or economic; a shift of international leadership from America to Japan and/or Germany; and maintaining international stability and prosperity, as it were, "under new management."

To expect a revival of traditional militarism in Germany or Japan at present requires a considerable leap of imagination; it is hard to construct plausible scenarios for such a return of history. Even if domestic developments were to evolve in this direction, however, it would be enormously difficult for either country to extricate itself from the complex webs of integration in which they have allowed themselves to be bound and to develop their own, independent military capabilities. Such moves would also immediately trigger powerful reactions and no doubt involve very serious economic and foreign policy costs. In short, those fears simply seem unrealistic.

But what about new, economic forms of nationalist expansionism? Opinion polls show a high percentage of Americans perceiving Japan as a greater threat to their future than the Soviet Union. But because those polls invite comparisons between vastly different types of problems, such answers are deceptive. The real issues behind American fears are the economic successes of German and Japanese industries in comparison to those of the United States.

Economic imbalances reflecting differences in national savings rates and the relative competitiveness of certain sectors of industry do not in themselves constitute "threats." Basically, the concerns about Japan and Germany are that their economic systems are not compatible with a liberal world economy, that their economic values and priorities differ profoundly from those of America, and that their inability to change course, combined with the inability of others to achieve levels of international competitiveness similar to those of Germany or Japan, risks producing a proliferation of protectionist and interventionist measures. Such developments, it is feared, could gradually destroy the open world economy and transform it into a system of relatively closed regions: a European economic space dominated by Germany, an East Asian "Greater Co-Prosperity Sphere" dominated by Japan.

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Those fears are based on the assumption that Germany and Japan direct their economic activities toward a noneconomic goal—the pursuit of national power. The economies of Germany and Japan are seen as qualitatively different from other Western economies. At its most pointed, this argument sees the Japanese economy orchestrated by faceless bureaucrats, politicians and managers aiming at world domination through a relentless pursuit of market share abroad and the effective closure of the market at home. West Germany has been singled out less frequently but it, too, has been accused of running a "corporatist" economy with excessive emphasis on exports and a strictly regulated domestic market.

Considerable evidence supports an alternative conclusion: that the forces of global interdependence will produce changes and mutual adjustments of the economic imbalances between Japan and the outside world. Some of those pressures will be economic, others will be political; some will be international, others domestic. Their effects can already be detected in changing corporate strategies of Japanese firms, which are restructuring themselves toward becoming global entities. One result has been a shift from trade to foreign direct investment, and hence a shift from one form of interdependence to another (which ironically has not only failed to diffuse trade conflicts, but has instead opened a new arena of economic conflict concerning Japanese investments abroad).

But it is not only international economic and political counterpressures that will force domestic adjustments in the Japanese and German economies. Economies following mercantilist strategies act against the interests of their own societies, and against the notion of "vertical interdependence" between state and society: export surpluses represent underconsumption and hence a suppression of domestic well-being; excessive regulation results in inflated prices, hence again a restraint on welfare. In Japan economic success has been achieved on the back of the urban consumers. American pressure for change can thus, in principle, count on powerful domestic social forces to support its objectives. In Germany the bias toward deflation, underconsumption and regulation may be wrenched open by the challenges of unification and reconstruction in Eastern Europe.

The fear about German or Japanese economic domination also fails to take adequately into account the nature of technological and economic power. Such power today differs

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profoundly from traditional state power. First, the resources of these forms of power are in the hands of economic actors such as firms or banks, which pursue their own objectives and strategies. Economic "power" thus cannot be easily manipulated and targeted by governments. Moreover, this power grows out of firms' interaction in markets that are rapidly becoming transnational, even global—and this again militates against a straightforward political manipulation of economic capabilities. Finally, economic power thus embedded in webs of interdependence implies substantial vulnerabilities even where interdependence is highly asymmetrical; the implications of interfering with interdependence may be unpredictable and very costly for all concerned.

None of this is to say that economic mercantilism can be discarded as a real danger. Dynamic interdependence implies rapid change and thus requires substantial adjustment to changing circumstances. This is painful, and will produce resistance. Mercantilism could develop as the cumulative result of defensive interventions to protect domestic constituencies against the burden of adjustment, as well as offensive industrial policy efforts to secure national economic advantages. But why should such a development be triggered by Japan or Germany, which have been the principal beneficiaries of the present system? It seems much more plausible that they would try their utmost to defend this system, even if doing so means allowing changes that somewhat reduce their relative benefits.

It is also profoundly wrong to see Germany or Japan as immune to change; their international economic successes reflect, if anything, a superior capacity to adjust to changing circumstances. The same must also be said about the evolution of domestic politics. The direction and implications of those changes may not be precisely what critics would like to see—yet it should be clear from the preceding discussion that many of the pressures to which Germany and Japan have responded are global in nature, and have forced them to become even more international. Still, there can be no doubt that the management of the German and Japanese economies reflects values and forms of social organization that differ from (and may be more effective than) those of other industrialized countries. An emphasis on stability, social consensus, cohesion and continuity amid change can be found in both societies. It is possible that such orientations and forms of social organiza-

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tion could become important features at the level of the global economy as well.

American worries about being pushed aside and replaced as the leading Western power also largely miss the real point. For one thing, U.S. leadership is not really threatened, although it is undergoing qualitative changes. Moreover, as Herbert Stein has rightly pointed out, the American concern about losing preeminence confuses leadership with dominance and economic strength with economic monopoly.[5] Put differently, these worries look at today's world of international relations—shaped by the dynamics of interdependence—through yesterday's lenses of balance-of-power politics among nation states obsessed with territorial insecurity and expansion. The political debate in the United States simply seems to be catching up with the realities of interdependence, which Germany and Japan have been used to for a long time. The United States will not be replaced in its leading role within the alliance by Japan or Germany; ours is no longer an international system of superpower hegemony, but one of cooperation and conflict among highly interdependent partners.

It is true, of course, that interdependence implies a loss of autonomy. In that sense, American worries are real. This autonomy, however, cannot be retrieved without a concomitant loss of benefits from interdependence. Japan and Germany have long accepted this logic, and have opted against autonomy, with good results. Opting against interdependence and for autonomy has often produced disastrous results—witness the socialist experience in Eastern Europe and the Soviet Union. To suggest seriously that Japanese companies could withhold their chips from the United States and sell them to the Soviet Union, and thus change the military balance of power, as Shintaro Ishihara and Akio Morita have done in *The Japan That Can Say No*, seems breathtakingly unrealistic. Such a move would endanger Japan's access to the American market, unravel its ties with the West and even risk confrontation with it, and destabilize the whole Northeast Asian region, with potentially huge costs for Japan.

Interdependence, however, does not by itself supply a vision of world order, other than to offer material welfare and comforts. It is thus hardly surprising that the trading states

[5] Herbert Stein, "Who's Number One? Who Cares?" in *The Wall Street Journal*, March 5, 1990.

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Germany and Japan have been criticized for the lack of such vision, and for the arcane and parochial quality of their domestic politics. Moreover, the outcomes of interdependence, the distribution of its costs and benefits, will as a rule not be symmetrical. They will also not necessarily reflect values such as social equity or environmental stability; the burdens of adjustment will tend to be pushed onto marginal actors and global institutions, while each nation will strive to maximize its own benefits.

Thus, interdependence will imply intense conflicts over the distribution of its costs and benefits—and continue heavily to involve national governments. If the outcomes of those political bargaining processes do not reflect values other than maximization of overall benefits and the relative bargaining strength of participants, the results of interdependence may threaten political legitimacy in those countries that do not benefit proportionately. Systemic legitimacy will also suffer if issues such as the protection of the global environment or the gap between rich and poor are not addressed.

IV

The core of the American problem with Germany and Japan is not the redistribution of power within the alliance but the overall change in the international system. This change affects both the substance and the power structure of world politics, and requires major foreign policy adjustments from all powers. It also demands a willingness to think about, and act upon, a new model of international politics—complex interdependence[6]—which is based on three fundamental preconditions: a security framework that guarantees systemic political stability and permits a sustained focus on interdependence; the ability of interdependence to satisfy people's aspirations; and the effective and socially just management of interdependence to avoid breakdowns and crises in the processes of modernization and transformation.

The critical challenges and risks for the future will largely come from economic, social and cultural dislocations and their potential for producing political crises and turmoil. Social changes in this broad sense have been at the roots of the crisis of the Soviet empire and the revolution in Iran; they foster

[6] The seminal work for this paradigm is Robert O. Keohane and Joseph S. Nye, Jr., *Power and Interdependence*, Boston: Little, Brown, 1977; revised edition 1989.

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new security problems such as migration, drugs and international terrorism. Military power seems to have become a residual, rather than a central, element in international politics. This is not to deny the continued relevance of the security dimension for international relations; nuclear deterrence and conventional force still play a role in guaranteeing the state-centered character of the international system, and war and civil war have, if anything, become more, rather than less, frequent and destructive in the Third World. The proliferation of weapons of mass destruction and of missile technology in the Third World add to such concerns. Nevertheless, military force is likely to be largely irrelevant in confronting such new challenges as political instability and crises in Eastern Europe or the Third World, terrorism, drugs or environmental dangers.

The interpenetration of state and society ("vertical interdependence"), which has resulted from the shift toward the modern welfare state in the postwar era, implies a much more intense interplay of domestic and foreign relations and a much higher importance for economic success as a means to secure political legitimacy. Failure to exploit the potential of interdependence resulted in the fall of the Soviet empire and the transformation of the East-West conflict. The future of East-West relations will depend on the management of political and security interdependence (arms control, development of new security structures in Europe) and the development of economic and social interdependence—or, if such efforts fail, on the containment of turmoil and violence spawned by the bitter Soviet legacy of economic, social and political distortions.

The ability to shape international processes of conflict and cooperation will depend strongly on technological and economic capabilities. As events in Eastern Europe have demonstrated, individual aspirations have become highly relevant for international politics. These aspirations, insofar as they are focused on basic needs, material well-being and quality of life, can only be met through economic growth. But technological and economic strengths differ qualitatively from military capabilities: they are increasingly produced in transnational networks linking firms across the globe.

To think and act in terms of complex interdependence will not be easy. Reservations about giving up national sovereignty with all its symbolic and political paraphernalia are bound to interfere; the necessary domestic adjustments will be hard to

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organize; and patience will be required to carry through extensive bargaining to find compromises between diverging national interests and conditions.

Whether complex interdependence will be viable will depend importantly on the future behavior of Germany, Japan and the United States. There can be no doubt that both Germany and Japan have very strong reasons to remain tied to the West. Economically, a loosening of integration could only be achieved at tremendous cost; politically, Germany's and Japan's integration in a broader security context ensures regional stability, defuses the legacy of the past and offers the best chance to maintain the reorientation of international politics away from military competition and war and toward the exploitation of benefits from interdependence. This fundamental interest in continued close alignment with the United States and Western Europe is well recognized by public opinion, and the strong institutional ties that bind Japan and Germany to the West also work in the same direction.

Although the integration of Japan and Germany into the Western "club" has undoubtedly changed both countries and laid solid foundations for the future, it is unlikely to provide in itself the answers to new questions of identity and national purpose. These questions arise out of asymmetries between economic weight and political roles, and they are given additional urgency by the transformation of the East-West conflict both in Europe and the Far East, which will involve a redefinition of alliance relations.

In the case of Germany, there is, of course, the need to define a united Germany's place in Europe and the world. For Germany, Europe provides an important dimension of supranational identity. While the emotional appeal of Europe may have receded recently, it is interesting to note that opinion polls now show a certain revival of interest in and attachment to Europe as a counterweight to the emotional uncertainties stirred up by the prospect of German unification. Although this European orientation has developed considerable strength, West Germany's sense of international identity in the postwar era has been largely economic, rather than political, and pragmatic, rather than emotional. It has also never been entirely persuasive, as recurrent debates about West Germany's identity and role in the world have demonstrated. The unification of Germany, as well as the new environment of

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international relations, will make it imperative for Germany to reexamine and develop its European identity.

At present, however, everything indicates that this process will strengthen, rather than weaken, Germany's European identity. There is also a strong factual basis for such an identity: for many practical purposes, the West German economy has become submerged in a wider European economy, and the European Community is developing a substantial supranational identity of its own. Europe, in fact, has become a functioning laboratory of the new international order; in many ways, it no longer makes sense to talk about Germany as a distinct national unit.

Germany's new identity will thus have to be supranational and European. At its outset, it will have to reaffirm the basic choices made in the early 1950s—the choices for security integration with America and political and economic integration with Europe. The core identification with the European Community will become more difficult to sustain, however, as processes of deepening West European integration are synchronized with efforts to bring Eastern Europe and eventually the Soviet Union into the webs of economic and political interdependence. Both processes, moreover, will have to be kept open for participation by the United States and Japan. This development of European relations with the other principal industrial centers will no doubt be complicated by the dissolution of the unifying threat to all from the Soviet Union, and by the macroeconomic imbalances caused by the erosion of U.S. economic competitiveness. This makes for a fairly complicated set of requirements; Germany's future identity ought to be West European at the core, marked by a strong sense of solidarity with Eastern Europe, and open for intensified ties with America, Japan and Russia.

In the case of Japan, the transformation of East-West relations has prompted a vigorous debate about the future of the U.S.-Japan Security Treaty. For Japan, the development of a purely regional identity seems inconceivable. Through its very close trans-Pacific ties with the United States, and its worldwide economic presence, Japan has become the first global civilian power. Its political identity will have to follow those ties. This means that Japan's sense of responsibility must be shaped around its alliance with the United States, and around global challenges such as Third World development and environmental reconstruction. There are some signs that

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such a sense of identity may be developing: the United Nations has long enjoyed very strong support in Japan, the "internationalization" of Japan has been a popular obsession for several years now, and public opinion reactions to the recent crisis in American-Japanese relations show considerable understanding of the need to make concessions to Washington. Official assistance to developing countries has rapidly increased in recent years. There is also the strong aversion of Japanese society to militarism. Yet in spite of all these positive signs, Japan clearly still has a long way to go toward developing a sense of global political responsibility.

Both Germany and Japan thus face the need to develop international identities that explicitly recognize and accept the facts of interdependence. Even if they do, however, this will in no way make U.S. world leadership redundant. Its substance and policies, of course, will have to change to accommodate pressures for supranational cooperation and a partial transfer of sovereignty. Only effective political cooperation between North America, Europe and Japan will be able to provide sufficient resources to meet the challenges the world will face in coming years.

Sovereignty has already, in reality, been transferred. National foreign policies will now have to recognize this, accept the conclusions, and build on them. Transfer of sovereignty allows the development of the rule of law in international relations and thus helps to push forward the process of "civilizing" international politics. It also offers an important set of values. Solidarity with other societies, and a sense of responsibility for the future of the world—and particularly the global environment—are values that will have to be inculcated. Those values must be developed domestically to make effective international interdependence policies possible. Paradoxically, the new challenges of international relations will thus require a much more active emphasis on the domestic political side of international relations—and particularly so in Germany and Japan.

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David S. Yost

FRANCE IN THE NEW EUROPE

The remarkable developments in Europe since late 1989—German unification, the collapse of communism in Eastern Europe and the expectation of large-scale withdrawals of Soviet and American forces—have upset long-standing assumptions of French security policy. Stable reference points have been displaced by new risks and uncertainties. Past preoccupations about the future of Russia, Germany and Europe's political order and institutions have become more pressing and more acute.

Despite internal political problems, French officials are attempting to devise policies that would reconcile competing national aims. But the international developments of the past year may make it increasingly difficult for French politicians to maintain the national consensus on defense that has coalesced since the late 1970s. Official assertions of confidence in the complementarity and coherence of France's policies appear to mask important unresolved dilemmas and underlying anxieties.

Since the 1960s, French security policy has been based on the following premises:

—a large U.S. nuclear and conventional force presence in West Germany, as part of an extensive integrated alliance structure, providing a de facto forward glacis for France's protection;

—a West Germany anchored in NATO, dependent on allied security commitments and particularly interested in obtaining French cooperation regarding West European economic integration, and within and outside other multilateral political, economic and military institutions; and

—a stable and predictable framework of East-West relations in which France could maintain a special status with respect to NATO's integrated military structure, emphasizing its independence, autonomy and freedom of action.

On the basis of these premises, General Charles de Gaulle

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pursued during his presidency (1958–69) policy objectives that were already discernible during the Fourth Republic (1946–58) and established what has remained France's basic security posture since its withdrawal in 1966 from NATO's integrated military structure. De Gaulle's legacy has provided the touchstone for consensus on French security policy since the late 1970s, when the Socialists endorsed the maintenance of an independent nuclear deterrent posture.

De Gaulle's design ultimately amounted to France having two policies for security in Europe: one of cooperation with NATO allies; the other of independence, based on national assets, including nuclear forces and a robust military-industrial establishment. It has become customary in France to speak of "three circles." The first circle consists of the national "sanctuary" protected by France's nuclear forces; the second is comprised of France's defense responsibilities in Europe; and the third extends overseas, to French commitments in Africa and other distant territories and interests. The three circles, along with France's duty to uphold its rank ("the third military power" in the world, in President François Mitterrand's words) and independence through its own nuclear deterrent forces, have constituted the bedrock of the nation's defense consensus.

This Gaullist approach to security policy and the consensus behind it have been so successful in domestic and international politics that French leaders have been inclined to try to maintain as much of it as possible. Never has it been so clear, however, that France's policies of independence have been largely dependent on advantageous international circumstances. Now, given the prospect of a diminished U.S. military and nuclear presence in Western Europe, a less stable and predictable situation throughout east-central and south-east Europe and the U.S.S.R., and uncertainty concerning the internal political dynamics and policies of a unified Germany, a number of factors supporting France's privileged and unique security position may disappear. As Defense Minister Jean-Pierre Chevènement put it in June 1990, the "decolonization of the last empire"—that of the Soviet Union—represents "a leap into the unknown for all Europeans, who have to organize their security relations on a radically new basis."[1]

[1] Speech at the Royal United Services Institute, London, June 7, 1990, in the French Ministry of Defense compilation, *Propos sur la Défense*, May-June 1990, p. 105.

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II

It is now commonplace in France, as it is elsewhere in the West, to consider the Soviet Union incapable of recapturing its past position of dominance in Eastern Europe without large-scale military interventions of a kind that seem most improbable, if not inconceivable, at the present juncture. It is also assumed that the Warsaw Pact is no longer a plausible or reliable alliance; that the Soviets will honor commitments to withdraw their forces from Czechoslovakia, Hungary and East Germany; that all Soviet forces will be out of Eastern Europe by the mid-1990s; and that communist movements will remain thoroughly discredited throughout the region, even if the road to democracy is an arduous one.

Several French officials continue to point out, however, that even if the Warsaw Pact should completely disintegrate—it only exists now for some, perhaps transient, political consultation purposes—and even if the Soviet Union should break apart, the Russian republic alone would still remain the single greatest military power in Europe; it does not need an empire to be the first power on the continent. (Russia's population is more than 150 million and its territory thirty times that of France.) Even if Soviet armed forces were cut in half, they would still be by far the greatest in Europe. In Defense Minister Chevènement's view, moreover, the geostrategic situation of several countries—Poland, Bulgaria and Romania—is such that "they will not leave the Russian sphere of influence as quickly as some imagine."

Many French policymakers believe therefore that Russia's power must still be balanced with vigilance by the West. Paris agrees with other Western governments that movements in the U.S.S.R. toward democratization, economic liberalization and a peaceful settlement of nationalities issues should be encouraged. Some French officials have been unusually explicit, however, in warning that dangerous internal upheavals and policy reversals in the Soviet Union cannot be excluded, perhaps including an attempt at revanchism. Because Soviet military power is still viewed as "very considerable," and Mikhail Gorbachev's future is seen as unpredictable, Mitterrand has warned that "nothing can guarantee that a new Soviet power—which might not be communist—wouldn't still be military and totalitarian. And that would be a great danger."

The outcome of the internal turmoil in the U.S.S.R. and

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Eastern Europe remains so unpredictable that Paris feels it must maintain and modernize the key elements of its military posture, resist any hasty and unwarranted weakening of the Atlantic alliance, and continue to press for a deepening of economic and political integration in the European Community, as well as closer and more substantive security cooperation in Western Europe.

These prescriptions are consistent with the thrust of French security policy during the 1980s and underscore a certain undercurrent of mutual suspicion in Franco-Soviet relations. A number of French analysts have noted that France could become Russia's principal adversary in Europe; France has taken a leading role in resisting the denuclearization of Europe and in organizing West European defense and security cooperation.[2] Some French observers hypothesize that the Soviets are trying to capitalize on their own political and economic weakness, including their prospective withdrawal from Eastern Europe, by depressing public and parliamentary perceptions of the U.S.S.R.'s military potential, thereby discouraging the maintenance of Western security structures.

The "preparing for the worst" theme regarding Eastern Europe and the Soviet Union has nonetheless been far less prominent in French policy articulations and initiatives than that of "encouraging the best." The French agree with their NATO allies and EC partners that Western security could be strengthened in the long term through a successful program for democratization and economic prosperity in the nations of Eastern Europe and the U.S.S.R.

Toward this end, President Mitterrand and German Chancellor Helmut Kohl have joined in urging their Western partners to provide immediate economic aid to the Soviet Union. Mitterrand has insisted that Gorbachev deserves support and dismissed the "reform first" position of Britain, the United States and other countries as another version of the chicken-and-egg riddle. But the French government's motives in this regard appear to include considerations beyond simply promoting economic and political reform in the Soviet Union. Above all, France is profoundly interested in having a common policy with Germany and, somewhat paradoxically, in

[2] See for example Henri Paris, "La France, ennemi principal de l'URSS en Europe?" *Défense Nationale*, January 1988, pp. 51–64. General Paris is currently the director of the Délégation aux Etudes Générales in the Ministry of Defense.

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competing with the Germans for privileged relations with Moscow.

III

France's determination to compete for influence in the Soviet Union and Eastern Europe reflects but one of the many French preoccupations and anxieties regarding Germany in the new Europe. Before 1989 the French had implicitly assumed, like almost everyone else, that German unification would remain a remote possibility, due to seemingly permanent Soviet policy imperatives. Although for over thirty years France had officially supported German unification—many French leaders had called for "overcoming Yalta"—throughout the same period its security policy assumed the stability of the East-West division of Germany and of Europe. Even after the Berlin Wall was opened in November 1989, Foreign Minister Roland Dumas and Defense Minister Chevènement initially insisted that German unification was "not a current issue."

As it became evident that this judgment was mistaken, French politicians and analysts began to recognize that the postwar political and security arrangements, by postponing any resolution of the German question, had elevated France's status and influence in Europe. The likely consequences of German unity and Soviet retreat could then include, in Pierre Lellouche's pungent words, "an economically superpowerful Germany, politically dominant in central Europe, and a France reduced to a secondary role; an end to Gaullist dreams of a Europe directed politically by a nuclear France."[3]

These anxieties are apparent not only in the remarkably explicit expressions of concern made by French commentators and high-level officials, but also in their many efforts to reassure the French public and to dismiss "absurd fears." Dumas and others have offered reasons why France should not have an "inferiority complex" in relation to Germany, and have called attention to the democratic history of the Federal Republic of Germany and its commitment to NATO and the EC. Some have discerned risks in French public perceptions of a France with diminished status and influence in Europe. In conjunction with an impression of "too confident" or "arro-

[3] "Cette grande Allemagne qui inquiète," *Le Point*, March 5, 1990, p. 44.

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gant" an attitude on Germany's part, such perceptions could lead to less friendly bilateral relations than those of recent years.

French anxieties about Germany have been unfortunately aggravated by a series of irritations in the Paris-Bonn relationship. Some French politicians and commentators have expressed consternation over various decisions made by West Germany without—from the French perspective—adequate consultation with Paris or Bonn's other partners. Among these are Kohl's announcement in November 1989 of a 10-point plan for German unity, of which Paris was not even informed in advance; the granting of economic and monetary union to East Germany; the announcement of a special military status for East German territory and a ceiling on the Bundeswehr, the latter determined directly between Kohl and Gorbachev in their July 1990 summit; to say nothing of Kohl's protracted and awkward hedging over Germany's officially recognizing the Oder-Neisse border with Poland.

Bonn, too, has had a number of reasons for annoyance with Paris. Mitterrand's December 1989 trip to East Berlin, made at the invitation of East German leader Erich Honecker, seemed intended to lend legitimacy and staying power to the East German state. Earlier that month Mitterrand went to Kiev and, perhaps unintentionally, conveyed the impression that he wished to encourage the Soviets to block or delay German unification. As it became increasingly apparent that unification was inevitable, French officials then began compiling lists of "conditions" that would make the fact acceptable: above all, the process of unification would have to be "democratic and peaceful"; Germany would have to remain committed to NATO and further EC economic and political integration; it would have to renounce permanently nuclear, chemical and biological weapons; and it would have to make clear its permanent acceptance of existing frontiers, including the Oder-Neisse line. Although the uncertainties surrounding the frontiers issue initially derived from Kohl's politically and legalistically inspired temporizing about the difficulties of definitively settling the question prior to formal unification, opinion polls showed that most Germans had no interest in changing these frontiers. For many Germans, then, emphatic French statements of solidarity with Poland appeared to amount to gratuitous posturing at Germany's expense.

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IV

French ambivalence about German unification has included several vaguely defined and, in some cases, contradictory anxieties regarding security implications. A primary concern for some is the possible political devaluation of French military assets. French military contributions to German security may become less important in an era of détente, arms control, diminished threat perceptions and large-scale Soviet force withdrawals from Eastern Europe. Additionally, the intrinsic potential of a united Germany to provide for its own defense, and thus its enhanced capacity for military autonomy, would seem to diminish France's security role in the new Europe. The lessened significance of France's nuclear and military posture could in turn reinforce Germany's political primacy, in that Germany's economic superiority and influence would no longer be balanced by a high level of dependence on an alliance security framework.

A more substantive concern is the fear of a "strategic vacuum" in central Europe. In July 1990, Chevènement put it this way:

> A strategic vacuum is going to open up in a few years at the heart of Europe, both conventional and nuclear. . . . The Soviet Union will remain, by force of circumstances, a military superpower. . . . But, to the West, the conjunction of the American withdrawal and the spiral of disarmament started unilaterally by the countries of Western Europe will inevitably create an imbalance. Germany, entirely preoccupied with bringing about its unity and taking the necessary steps for that, has not only just accepted a self-imposed limit on its forces, but Chancellor Kohl has officially announced . . . his support for a double-zero option [that is, neither nuclear artillery nor missiles on German soil]. . . . Is this a stable situation for the long term? To raise the question is to answer it.[4]

Some French observers judge that, even if Kohl and his coalition partners remain in office after all-German elections in December 1990, German leaders are likely to insist that full sovereignty and the "normalization" of Germany's status require the elimination of most, if not all, foreign military forces and nuclear weapons, including nuclear weapons based on aircraft.

A related risk perceived by some in France is the prospect of German unification leading to a demilitarization and neutral-

[4] Interview in *Le Monde*, July 13, 1990, pp. 1, 9.

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ization of central Europe. Such a development would place France on the front line of a potentially dangerous power vacuum—an "empty" zone of military weakness and possible instability—that could invite Russian attempts at the coercion of Germany and other countries. These "strategic vacuum" fears imply, in other words, that many or all of the main military elements of the NATO glacis between France and Russia could vanish relatively quickly.

The unpredictability of future German security policy is also a major concern. Some French analysts have noted that the internal political dynamics of the new Germany may be rather incalculable, because the variables include the addition of 16 million East Germans to the Federal Republic and a prolonged, absorbing and, paradoxically, potentially divisive process of economic and social unification. This is to say nothing of the rapidly shifting international political context surrounding the German metamorphosis. As a result, some French observers fear that no one can guarantee Germany's continued or unchanged participation in NATO, or the sort of alliance policies the new nation will pursue. It is then a short step from the possibility of German neutrality to other scenarios: an assertive and distinctively nationalistic military policy; an attempt to organize a *Mitteleuropa* security zone under German hegemony; and/or a decision by Germany in the middle or late 1990s to develop its own nuclear weapons.

Another widely voiced fear is that France and other Atlantic alliance countries might fail in their efforts to keep Germany fully in the West. The concern is that Germany might follow an increasingly independent course in its relations with the Soviet Union, or even agree to a German-Russian entente or condominium based on Russian military power and German economic strength and technical expertise. French politicians and commentators on both the left and right have pointed to this possibility, with references to Rapallo, the Hitler-Stalin pact and other historical precedents.

Chevènement recently alluded to such precedents as characteristic of a historical pattern in German-Russian relations, declaring "the rebalancing between these two powers, readily expansionist, one to the detriment of the other when their respective weight is too unequal, can lead in the following period to a sort of entente; there is between these two peoples an old connivance, which has known many forms." In the present context, Chevènement added, one cannot exclude a

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German-Russian "competition for influence in central Europe, perhaps accompanied by a sharing of roles." The outcome, in Chevènement's view, depends largely on Soviet efforts at economic modernization and the evolution of German public opinion.[5]

If central Europe were to be organized under German or joint German-Russian direction, some French observers have concluded, France would soon become politically isolated, marginalized and subject to pressures for cooperation with the new leadership of Europe. Such commentaries convey an impression of France's relative vulnerability; both Germany and Russia are greater powers than France, and new alliances or rivalries involving these two countries and their neighbors could be highly dangerous, especially in a period of substantial U.S. military disengagement from Europe. French observers note that Kohl negotiated the July 16, 1990, agreement on German membership in NATO directly with Gorbachev, making the "two plus four" negotiations seem like a pro forma framework of secondary importance.

France's official policy aims to make the fulfillment of any of these fears as remote and improbable as possible. Paris intends to cultivate relations of confidence with the new Germany, to champion Germany's membership in the Atlantic alliance and to accelerate the economic, monetary and political union of the EC. There exists nonetheless a certain feeling of vulnerability and, in some quarters, even helplessness among those who judge that France will be subject to unpredictable German choices, choices that will determine the future of NATO, the EC and other institutions, and over which France may have rather limited influence. This sentiment of uncertainty and vulnerability currently conditions France's approach to the future of European political and security institutions.

V

French officials usually describe their aims for Europe's future political and security order in tactful abstract formulations. Dumas, for example, has suggested that it is imperative "to organize Europe so that it escapes the two perils of hegemony or explosion . . . [with] a better-assured security, a will to solidarity." In institutional terms, he adds, the move-

[5] Speech at the Institut des Hautes Etudes de Défense Nationale, Paris, May 21, 1990, in *Propos sur la Défense*, *op. cit.*, pp. 50–52.

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ment of the EC toward political union should include a "European identity in the domain of security," but within the Atlantic alliance, a goal approved at the July 1990 NATO summit. The foundation for such an order would consist of the EC, supplemented by Mitterrand's proposed European Confederation—the EC, East European countries unable to qualify for EC membership, and others—and finally the Conference on Security and Cooperation in Europe (CSCE), which includes Canada and the United States, both termed "indispensable for the maintenance of the balance of forces in Europe."[6]

The French purposes behind these institutional arrangements appear to include the following:

—to maintain as much as possible of France's established security posture, including autonomy and freedom of action;

—to sustain France's leadership role in Western Europe, particularly in the EC;

—to keep Germany fully committed to the EC, the Atlantic alliance and other Western institutions;

—to maintain U.S. commitments to the Atlantic alliance, even as the U.S. force presence in Europe is reduced;

—to encourage a stable process of democratic political reform and economic liberalization in Eastern Europe and the Soviet Union;

—to maintain a balance of power while preserving means of dialogue and negotiation, in order to prevent Moscow from feeling isolated; and finally,

—to protect the EC from the dilution and loss of momentum that enlargement would cause at the present juncture.

The French have discreetly revealed profound skepticism regarding the enthusiasm of some Germans, including Foreign Minister Hans-Dietrich Genscher and many Social Democrats, for "transcending" or "absorbing" the Atlantic alliance and the Warsaw Pact and replacing them with a "collective security" arrangement based on the CSCE. According to proponents of this design, alliances and other "balance of power" dispositions tend to divide countries, to promote "enemy images" and arms competitions, and to prolong international

[6] Dumas speech to French Senate, June 27, 1990, in the Foreign Ministry's *Bulletin d' Information*, June 28; Dumas interview in *Le Figaro*, July 25, 1990, reproduced in *Bulletin d'Information*, July 25.

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misunderstandings and antagonisms. The 35 members of the CSCE should, it is argued, guarantee each other's security in a comprehensive system in which all are committed to unite against any aggressor.

Many in France and elsewhere suspect, however, that in practice a collective security system based on the CSCE would not reliably guarantee anyone's security. Given the CSCE's unwieldy size, its unanimity rule in decision making and its other shortcomings, such an arrangement could prove as unsatisfactory a basis for security as did the League of Nations in the 1920s and 1930s. It is not surprising that official French statements have expressed caution about any near-term "institutionalization" of the CSCE beyond a small secretariat, regularly scheduled high-level meetings and other measures to promote confidence, transparency and crisis-prevention.

VI

While France has been clear on the need to carefully calibrate security cooperation measures in the CSCE framework, inconsistencies and uncertainties have been apparent in its efforts to maintain its own special status in NATO's integrated military structure, to retain U.S. commitments and forces in Europe, and to promote closer West European security cooperation.

Without much specificity as to concrete arrangements, the French continue to hold that it would be, in Mitterrand's words, "wise and useful for the Europeans in the future to prepare themselves to play an increased role in the alliance for their own defense." The essential vision has been of a stronger and more autonomous West European defense posture centered around close Franco-German relations. European dependence on the United States would be diminished, not eliminated, and the Atlantic alliance framework maintained. Chevènement indicated in London in June 1990 that the U.S. commitment to European security "remains indispensable . . . [to serve as] the counter-weight to the military power, nuclear and conventional, of the U.S.S.R." But it is necessary, he argues, to think about "new modalities for the American presence in Europe. . . . It is clear that notions of reinforcement, C^3 [command, control and communications], and air defense will take on increased importance in a context in which U.S. ground forces stationed in Europe are reduced."

French officials have made it clear, however, that these "new

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modalities" cannot include American installations in France. The basing of any foreign forces on French soil is likely to remain politically problematic. The absence of foreign forces, except for some West German logistic sites and during certain military exercises, has been established since 1966–67 as an indication of France's special status and independence in NATO. Fears of more far-reaching U.S. force withdrawals may eventually prompt France to pursue deeper bilateral security cooperation and to encourage its allies to continue to welcome U.S. forces. An American military presence in France, however, would represent a profound change in established policies and attitudes.

Some French commentators argue that it would be unwise for France to express a willingness to host any U.S. military presence, however small, as this would encourage certain political forces in Germany to seek an exit from such responsibilities. The net effect would thus be a weakening of the Atlantic alliance. By the same token, French officials contend that any neutralization of Germany must be avoided and that France and its NATO partners must retain as much influence as possible in German affairs. The announced intention to withdraw all French forces from Germany could contradict this aim, however, and undermine prospects for retaining a substantial U.S. military presence in the new Germany.

A significant foreign military presence consisting of European troops—say, German, Dutch or British—might be more acceptable to the French than U.S. forces. But even speculation about an increased German military presence—e.g., a brigade or Luftwaffe wing—has been very tentative because of concerns about possibly arousing domestic sensitivities. Such a deployment, however, could demonstrate West European unity or Franco-German solidarity. It might also make possible a continued French military presence in Germany. Indeed, some observers speculate that Mitterrand's July 1990 announcement that "logic" will require French forces in Germany to return home, once Four Power roles are terminated and Soviet forces withdrawn, may have been intended to anticipate and politically preempt any German demands that French forces leave, or to prepare the ground for discussion of a possible Franco-German cross-stationing accord.

Various proposals since early 1990, mostly from commentators in Britain, Germany and the United States, that France return to NATO's integrated military structure have been met

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with the standard French responses. Mitterrand, for example, reaffirmed in July that France has "no intention of changing" its "particular position with regard to NATO's integrated command and its strategy." Some French commentators add that NATO's integrated military structure is destined to atrophy, if not disappear entirely, in Europe's new circumstances. Others contend that NATO's elaborate structure is now unnecessary anyway, given the increase in warning time before any Soviet aggression.

French reservations about the integrated military structure extend to NATO's July 1990 decision to "rely increasingly on multinational corps made up of national units." Britain, Germany, the United States and other allies see multinational corps as politically useful because they may make a continued foreign military presence more acceptable to the public in Germany and other host countries. In contrast, French officials see multinational units under the Supreme Allied Commander in Europe as not only operationally problematic but also politically undesirable. Such a structure, they fear, could perpetuate and perhaps even deepen integration under U.S. authority, postponing what many French officials see as a necessary and overdue adjustment in European-American leadership responsibilities. In their view, NATO's integrated command is anachronistic and tends to exclude France and to undermine West European defense cooperation efforts. At the same time, whenever the "French model"—withdrawal from NATO's integrated structure in order to pursue a more independent course—is advanced as a possible option for Germany, the French typically react with annoyance.

VII

At the July 1990 NATO summit in London, Mitterrand made it clear that "France does not share the strategic conceptions of the alliance, neither those of yesterday, nor those of today: those of yesterday concerning flexible defense, the forward battle; those of today on nuclear weapons as a last resort. . . . We do not share any of that. . . . Deterrence is intended to prevent war, to forbid it, and not to win it." Chevènement also rejected the "last resort" approach to nuclear weapons employment as "poles apart from a well-understood strategy of

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deterrence, in the interests of Europeans."[7]

For political reasons French leaders remain interested in emphasizing that their nuclear strategy and employment policy are not in any way a subset of NATO strategy and policy. France's nuclear strategy, they say, is intended for deterrence and foresees only a limited and prompt "ultimate warning" employment of "prestrategic" nuclear weapons. This is contrasted with NATO's strategy of flexible response, which they define, rather misleadingly, as oriented toward large-scale nuclear employment in Europe in order to achieve victory on the battlefield. Current French criticisms of NATO's new "last resort" formula are reminiscent of France's reactions in the 1960s to flexible response: that is, America is accused of trying to postpone the use of nuclear weapons until Europe has already been devastated by conventional war; whereas the threat of an earlier nuclear response might prevent war altogether.

In fact, U.S. and NATO policy has always been oriented toward war-prevention, and for over two decades the key concepts have been crisis management and a prompt "restoration of deterrence" if selective and limited nuclear weapons employment ever became necessary to stop aggression and end the war. Neither the newness of the "last resort" approach nor its distance from the French strategic policy should be exaggerated. Noteworthy differences include the French insistence on threatening prompt nuclear employment and the French judgment that (as France's preferred term implies) "prestrategic" retaliation should be clearly linked to the prospect of imminent strategic nuclear strikes.

One of the central questions in building a West European defense identity is how to provide nuclear protection for Germany. Since the French consider nuclear deterrence the most reliable means of war-prevention, it seems imperative to preclude any situation that would make Germany vulnerable to Soviet nuclear coercion, or preoccupied with an apparent lack of nuclear protection. Partly to ensure against any future German interest in developing an autonomous nuclear weapons program, some French officials and commentators have suggested that a mechanism be found to reaffirm the strategic solidarity of Britain, France and Germany, perhaps a Euro-

[7] Mitterrand press conference of July 6, 1990, in *Le Monde*, July 8–9, 1990, p. 5, and Chevènement interview, *op. cit.*

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pean nuclear consultation arrangement. Chevènement considers a West European defense partnership offering nuclear protection to Germany the only choice, given what he defines as the alternatives: "An American protection that risks seeming more and more uncertain? Or Germany's choice to assure her security by herself?"

France's reasoning behind the concern for Germany's nuclear protection was set forth most clearly in March 1990 by André Giraud, Minister of Defense during the French government's 1986–88 period of *cohabitation*. Giraud wrote:

> To assure deterrence in Europe and protect Germany from a conventional attack, nuclear weapons must be stationed in Germany, which, by their mobility and range, assure its sanctuarization in satisfactory conditions. To be sure, these nuclear weapons cannot be German. They can be American and/or European. But it would be normal for the Germans to have a veto right regarding their employment, the threat of which must not be implemented unless vital interests are threatened. It is in the solution to this problem that there resides the decisive key to the construction of a European defense.[8]

Despite the uncertainties about the reliability of U.S. nuclear guarantees that French governments have underlined since the 1960s, Chevènement has also argued that Germany's "future security against aggression must be assured first of all by the joint and solemn commitment of the three nuclear powers": Britain, France and the United States. In the future, he sees the European nuclear forces making "a decisive contribution to the security of their partners and notably the F.R.G." But the implementation of this concept presents several problems.

First, there is France's continuing interest in delineating its nuclear strategy as separate from that of NATO and, particularly, the United States. Because France cannot "renounce the independence of our defense," as Chevènement has said, it is essential to "find, between Europeans, a framework flexible enough to provide for both the necessary consultation and the inevitable uniqueness of the nuclear decision."

A second uncertainty is whether Britain would be interested in devising such an arrangement. Chevènement has sometimes expressed concern that Britain continues to "give greater importance to her role of influence within the American power system." Some French observers attribute the delays

[8] "Europe et défense," *Le Monde*, March 21, 1990, p. 2.

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and apparent impasses in the dialogue about possible Franco-British development of an air-launched nuclear missile to Britain's desire to protect its special nuclear links with the United States.

The most significant uncertainty, however, is whether the new Germany will accept any nuclear weapons presence at all. Some French commentators have expressed concern that the July 16, 1990, Kohl-Gorbachev agreement could be interpreted to rule out German participation in a joint West European nuclear deterrence arrangement. But Dumas has insisted that the German-Soviet accord does not provide for Germany's denuclearization, in the sense of forbidding the presence of foreign nuclear weapons. Lack of German interest could nonetheless preclude the establishment of any joint nuclear arrangement. Although some question whether a nuclear weapons presence is necessary for credible nuclear protection, others deem it absolutely indispensable. Giraud has argued as follows: "If, as certain of her politicians desire, Germany is to be denuclearized, that means that she is not ready to take the risks inherent in her own defense, and no one can defend her if she will not do so [*personne ne peut la défendre à sa place*]. There will not be any [unified Western] Europe in this case."

VIII

Contradictions in French policy regarding the Atlantic alliance and the maintenance of a U.S. military presence in Europe are also evident. The French want a U.S. military and nuclear presence in Europe, but not on their soil. They want a united Germany to be in NATO—to avoid a "strategic vacuum" in central Europe, and to minimize the risk of Germany seeking neutrality, a special security relationship with Russia or security through its own means. Yet the French oppose the multinational corps approach that could be of great political utility in keeping American and allied troops in Germany, and they place greater emphasis on bilateral cooperation vehicles and exclusively European institutions than on renovating the Atlantic alliance.

It would seem, however, that undertaking more responsibilities on a bilateral basis or in European-only forums could weaken the NATO framework that legitimizes the U.S. presence that France wishes to retain—to anchor Germany in the West, to balance German political influence in Europe and to pro-

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vide a military counter-weight to the Soviet Union. Some French policy articulations have failed to recognize that NATO enjoys considerable legitimacy among U.S. and allied political leaders, and that NATO remains, for the foreseeable future, the essential framework for the retention of U.S. forces in Europe and U.S. security commitments, including nuclear guarantees.

Related inconsistencies in French policy regarding West European defense cooperation are apparent as well. While French politicians champion the concept of such cooperation, it is not clear that they are really prepared to give up national decision-making autonomy and the nuclear sanctuary and stronghold (*le donjon nucléaire*, as it is sometimes called). They sometimes appear reluctant to work out operational defense plans and deployments on the basis of full equality and reciprocity with the Germans, without asserting that France is entitled to special status and freedom of decision. To many, France's attitude on a practical level seems to contradict its stated interest in deepening European political integration and, indeed, the EC's goal of political union.

France's fundamental ambivalence about Germany remains unresolved. Distrust of future German security choices coexists with a determination to align France with German economic strength and promote Franco-German leadership in European construction. While some French analysts worry that the Germans will lose interest in maintaining Franco-German relations as the motor of the EC, others are concerned about possible German dominance of the EC. Philippe Moreau Defarges judges that there is "hardly a chance" for the "constitution of a European defense" on the basis of the EC, owing to German unity. The Paris-Bonn team was the motor of European construction, he writes, because it rested on "a federal Germany 'less equal' than France, the first remaining under surveillance, the second constantly reaffirming its freedom of choice. With the unification of Germany, nothing will be as it was before."[9]

The unresolved inconsistencies and uncertainties about France's future role in Europe's political and security institutions reflect internal divisions. Some French analysts hold that the fundamental choice facing the nation is that between pursuing a narrowly national, essentially inward-looking pol-

[9] "L'unification communautaire et les bouleversements du paysage européen," *Politique Etrangère*, Spring 1990, pp. 147–148.

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icy based on France's traditional nuclear deterrence posture, or trying to take a leading role in recasting the European political and security order through deeper cooperation with allies in Europe and the Atlantic community as a whole. The latter course, particularly the idea of emphasizing Franco-German cooperation to deepen economic and political integration in the EC, is seen by most politicians and experts as the more far-sighted choice. It is sometimes called "Euro-voluntarism," and broadly speaking it is supported by politicians as different as François Mitterrand, Jacques Chirac and Valéry Giscard d'Estaing.

It appears at first glance that Mitterrand has followed the "Euro-voluntarist" course in various ways. He has overcome apparent earlier hesitations to emphasize close political and economic cooperation with Germany in support of EC objectives, and he has taken several initiatives for positive political and economic change in Eastern Europe and the Soviet Union. Mitterrand's critics argue, however, that his approach to cooperation with Germany still remains too hesitant, too equivocal and too tempered with a concern for maintaining good relations with Moscow. They charge that nothing specific has been proposed to build up a West European defense identity, that too much emphasis has been placed on France's unique status, and that nuclear forces for protection of the national "sanctuary" have been favored at the expense of the conventional forces needed to make a more effective contribution to the constitution of a European defense entity.

Gaullist leader Jacques Chirac and other members of the opposition, including many in the Giscardian *Union pour la Démocratie Française*, have championed more effective and ambitious West European defense cooperation as a means to strengthen the Atlantic alliance. Paradoxically, some of the Gaullists seem more prepared than the Socialists to circumscribe France's autonomy in order to build a more reliable Western military posture. Opposition spokesmen generally express more wariness than the Socialist government regarding the prospects for a peaceful and positive evolution of Eastern Europe and the Soviet Union, and thus more interest in Western and, specifically, West European defense cooperation. Some critics of the government warn that excessive and maladroit insistence on autonomy could lead to France's isolation and undermine Franco-German relations. Overemphasis on the long-term goal of a "more European" Eu-

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rope, on the other hand, could undermine French and European security by weakening ties with the United States.

There is, of course, no guarantee of success in the "Euro-voluntarist" course, even if the French pursued it with great cohesion and consistency. Its prospects depend heavily on France's partners, and above all, Germany. A nationalistic reaction against "Euro-voluntarism" could occur at some point if such policies seemed to imply a subordination of France to Germany and/or the United States. A similar reaction could take place if certain supranational features of the EC's political union seemed to threaten France's national identity and decision-making autonomy.

The opposite of the "Euro-voluntarist" course is France's traditional nuclear sanctuary policy, which is in some ways the path of least resistance. Many French politicians and commentators have asserted that the developments of the past year have vindicated France's reliance on nuclear deterrence to protect the national sanctuary. No policy changes are necessary, it is argued, for France's nuclear posture will continue to shelter the nation's security and independence from all foreseeable challenges. A greater emphasis on autonomy through nuclear deterrence could permit larger cuts in conventional military programs and satisfy those in the Socialist Party eager to cut defense spending to finance social programs. National nuclear autonomy also avoids the divisive controversies and agonizing reappraisals that could be associated with qualifying France's independence and recognizing more explicitly its dependence on allies.

The fear of German domination of European institutions may explain part of the attraction, at least in some circles, of a more nationalistic course for France. The appeal could also be reinforced by unhappiness over supranational trends in the EC, owing to the perception that France is surrendering its sovereignty and losing control over its own borders. Some link such sentiments to France's current problems with immigration and racism, its concern about a potential crisis of national identity, and fears that France has lost its special mission as the light of civilization, considered by many of the French as their nation's exceptional *rayonnement*. Although the conviction that France has a unique political and ideological vision, a special status and purpose in the world, has had many positive by-products over the centuries, it could contribute to the risk

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of France withdrawing to a posture of relying on itself alone, *la France seule*.

A logical long-term extrapolation of a more nationalistic French course could involve nuclear-armed neutrality, perhaps even supplemented by an anti-German alliance with the Soviets. Virtually everyone who alludes to a possible Franco-Soviet alliance deplores it as unwise and self-defeating, but it has been mentioned relatively frequently, and this has perhaps contributed to the recent troubles in France's relations with Germany. François de Rose has asked, for example, "Doesn't our European policy require that we discard the shadow of a suspicion, however ill-founded, that we might reserve the option of a return to the policy of switching alliances?"[10] Some French analysts have pointed out that the Soviets could use the notion to separate Germany from France, and then choose Germany themselves; Germany is intrinsically more valuable to Moscow than is France. De Rose and others have also warned that a failure to participate in the recasting of the Western alliance would simply mean that solutions would be found without France, and that France's self-isolation would mean Germany's military and political weight in central Europe and the U.S.S.R. would be even greater.

"Euro-pessimists" judge that, if Germany loses interest in the EC, the Franco-German partnership and the Atlantic alliance, France might have no choice but to rely more on its own resources and to strengthen its ties with Britain and America. Such an argument for closer ties with the "Anglo-Saxons" has been advanced by Edouard Balladur, the Gaullist minister of economy and finances during the *cohabitation* government. Similarly, some speculate that France might become more receptive to stationing U.S. forces in certain circumstances—e.g., a future German government abruptly expelling U.S. troops, an assumption of power by the Soviet military leadership and/or the adoption of more obviously threatening policies by Moscow.

IX

Extreme scenarios appear far less probable at the present juncture than an uncomfortable compromise between "Euro-voluntarism" and efforts to maintain the specificity of France's

[10] "La crise des stratégies," *Défense Nationale*, May 1990, p. 70.

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autonomous security policies. A compromise course may have the advantage of preserving the consensus on the Gaullist model in the intermediate term, and perhaps even longer, depending on the course of events. Retaining at least part of the Gaullist model is a political imperative, as it provides a satisfactory national self-image of rank and autonomy, and promises to hold France aloof from war. This approach to security has been, particularly since the late 1970s, a source of cohesion in a society that has historically been polarized on political matters, including national security policy. This pragmatic approach of hedging and balancing, with a continuing admixture of Gaullist rhetoric about France's rank and independent nuclear strategy, is politically more sustainable than a course that appears to allow French policy to be overly influenced by its security environment.

This compromise approach nonetheless entails notable risks. Three internal challenges to the defense consensus could be especially significant.

First, the legitimacy of nuclear deterrence policies could be challenged more profoundly than in the past. Environmental concerns raised by an increasingly successful Green political movement, *les Verts*, are becoming more prominent, owing in part to greater public awareness of nuclear reactor safety questions and unresolved problems of nuclear waste disposal. On the other hand, despite signs of official concern about the potential fragility of the national consensus behind nuclear deterrence, antinuclear movements and sentiments remain markedly less significant in France than in Britain, Germany or the United States. Powerful countervailing political incentives may tend to reinforce the legitimacy of France's nuclear deterrent policies, particularly in an era characterized by greater fluidity in international political alignments and more extensive proliferation of nuclear weapons.

Second, questions about immigration and racism, particularly with respect to the large and growing numbers of North Africans and other Muslims in France, loom larger in day-to-day French politics than do questions about Germany and European security arrangements. The immigration question poses profound challenges to France's social cohesion and domestic consensus. An awkward overlap with defense issues could arise because of the "third circle," as some of France's internal political contention during the current crisis in the Persian Gulf suggests. Some French observers are concerned

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that international conflicts such as the gulf crisis and Islamic fundamentalism in North Africa and other areas could lead to a radicalization of the substantial Muslim minority in France, and possibly to civil strife or terrorism.

Finally, a perceived loss of national military-industrial autonomy could also affect the French defense consensus. Declining arms exports, the rising costs of modern weapons and other practical considerations may encourage France to cooperate much more with allies in equipment production and procurement in the future. Such pressures are likely to be accentuated by France's need to replace large categories of conventional equipment in the 1990s, owing to the obsolescence of its tanks, tactical aircraft, surface ships and other weapons systems. Limited defense resources, in view of the splits in the Socialist Party over budgetary priorities and pressing social welfare demands, may also point toward greater French cooperation with allies.

If French governments can overcome such challenges to the defense consensus, they may be able to maintain a compromise course. It will, however, undoubtedly be harder for France to sustain the policy guidelines and ambiguities of the past. Future governments are nonetheless likely to strive to retain as much of the Gaullist attitude as possible, even if the substance of their policies eventually contains less and less of the approach de Gaulle bequeathed them. The profound reluctance to change France's basic security policies is rooted in their past success and inherent attractiveness; these policies have permitted France great autonomy and a special international status, as well as security. Recognizing that the success of these policies has depended to a large extent on a particular set of international circumstances implies a painful adjustment for a country that prides itself on its rank and independence.

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Charles Gati

EAST-CENTRAL EUROPE: THE MORNING AFTER

Eastern Europe is now east-central Europe. The political earthquake that occurred in 1989 has shifted the region's six former Soviet allies away from the East and closer to the West. All are now independent and all now embrace the concept of free enterprise. The countries often identified as central European—Poland, Hungary, Czechoslovakia and what was East Germany—have already adopted democratic institutions. Farther to the south, in the Balkans—in Bulgaria and especially in Romania—democracy has yet to be won.[1]

Like most things hyphenated, east-central Europe is absorbed in an ardent and arduous search for a new identity. The euphoria of 1989 has given way to the painful awakening of the morning after. The magnificent display of common purpose and the simple clarity of last year's peaceful revolutions—*us* versus *them*, the people united against the communist proprietors of power—have been replaced by confusion, division and disappointment.

There is confusion because the struggle is no longer only between "us" and "them," but *among us*. Wherever the communists submitted to the popular will and lost, new divisions have come to impede the work of some of the freely elected, noncommunist governments. In Poland, the impressive unity of Solidarity is gone. With pressure for Slovak autonomy rapidly growing, Czechoslovakia has already been renamed the Czech and Slovak Federal Republic. In Hungary, there is an intense struggle under way between those concerned foremost with the fate of millions of ethnic Hungarians in neighboring countries, especially in Romania, and those whose main priority is the shaping of a political and economic order that Europe will welcome. Only in the Balkans do old dividing lines remain largely intact. Election results in both Bulgaria and

[1] Discussion of the recent changes in the long-independent communist states of Yugoslavia and Albania is beyond the scope of this essay.

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Romania reveal a puzzling divergence between city-dwellers, who voted against the communists, and the rural population, who returned them to power.

Confusion and division have sparked disappointment as well. Anxious and impatient, many people ask: Was not the new democratic order supposed to be economically advantageous, politically harmonious and morally uplifting? Must the transition be as slow and as painful as it is? Will it be better only for the next generation, or even for the generation after that? Why does the West appear to be losing interest now that a democratic east-central Europe—already independent and mostly free—is within reach?

Is this pessimism warranted? Is the region failing to deliver on the promise of 1989? On balance, I think not.

In the new east-central Europe of 1990, competitive and in most cases free elections have been held, parliamentary institutions created, and freedom of religion and the press established. The very slow pace of economic change, except in Poland and what was East Germany, reflects anxiety about the short-term effects of the market economy—unemployment, inflation, declining living standards—rather than outright opposition to the long-term direction that must be followed. Thus, with Romania and Bulgaria lagging behind, the region's brief experience with pluralism has been, on the whole, propitious.

True, the persistence of political discord at the top, together with nationalist and ethnic animosity and antisemitism below, are cause for serious concern. Most of such negative phenomena should be seen for what they are: the ugly underside of freedom suddenly gained. For while freedom from oppression is already at hand, freedom subjected to sensible, largely self-imposed restraint has yet to take root. When that happens—when freedom begins to coexist with responsibility—the countries of this troubled region will be better positioned to confront the legacy of four decades of totalitarian rule, to cope with the strengths and weaknesses of their precommunist past, to dismantle their command economies and, at the same time, to discover their new identities in a new Europe.

II

As perhaps nowhere else in the world, history is politics in east-central Europe. The past is always present. This time, however, history is under particularly close scrutiny—its

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meaning continually assessed and reassessed, its heroes, real and perceived, upheld or demolished, its implications passionately debated.

At a time of such uncertainty, history signifies a search for the usable past. To be usable, the past must fill the postcommunist ideological vacuum, help to discover long-suppressed indigenous values and rekindle national self-assurance and self-respect. Alas, the past may also assist those who seek to escape from complex and often painful present realities into an ostensibly golden age of glory and grandeur. And the silent, haunted by the memory of their passivity during the communist era, may try to blot out that experience by identifying with the best and the bravest their history can offer. After all, the Poles' shining example aside, few Hungarian and Czechoslovak intellectuals, and still fewer East Germans, Bulgarians and Romanians, were courageous enough to stand up and be counted in the years prior to the 1989 revolutions.

Of course the communist period lacks appealing historical figures to remember and celebrate. The two exceptions are the early reform-communists: Imre Nagy of Hungary, who led the 1956 anti-Soviet revolution, and the leader of Czechoslovakia's 1968 "Prague Spring," Alexander Dubček, who sought "socialism with a human face." Nagy received a ceremonious reburial in mid-1989; Dubček, long under house arrest, has reentered political life as head of his country's Federal Assembly. These exceptions aside, the prevailing atmosphere of fervent anticommunism and anti-Sovietism allows no subtle distinctions to be made. Old differences between "dogmatists" and "revisionists," or Stalinists and anti-Stalinists, are no longer appreciated or even noticed. Hungarians repudiate "goulash communism" under János Kádár with almost the same vehemence as Czechs and Slovaks condemn Gustáv Husák's rigid dictatorship. Mikhail Gorbachev's reform-communism—the spark that ignited the region's democratic revolutions—is a source of mockery, its significance a subject of derision; it is viewed, at best, as a futile attempt to square the circle.

Consequently, 1990 witnessed the virtual collapse of communist parties and their successors in the four central European countries: Poland, Hungary, the Czech and Slovak Federal Republic, and the former East Germany. About 80 percent of Communist Party members in these states, more than five million people, have quit since the 1989 revolutions. In Bulgaria, by contrast, the drop was only 13 percent. (The

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Romanian National Salvation Front, successor to that country's Communist Party, has yet to make such information public.)

The results were similar at the polls. No communist is seated in the Polish Senate, the upper chamber of parliament whose members were freely elected in mid-1989. In completely free parliamentary elections held in the spring and early summer of 1990, East Germany's Party of Democratic Socialism gained 66 of the 400 seats (16.5 percent), the Czechoslovak Communist Party 47 of 300 seats (15.6 percent), and the Hungarian Socialist Party 33 of 386 seats (8.5 percent). In the Balkans, however, Romania's National Salvation Front won 355 of 515 seats (68.9 percent) in the two chambers of the legislature, and the Bulgarian Socialist Party gained 211 of 400 seats (52.7 percent). The results in these two countries show that reform-communists can still mobilize their followers for less than fair and free elections. The appeal of communism in the four central European countries, meanwhile, as demonstrated in unfettered elections, is not much greater than it has been in much of Western Europe in recent years.

Even in central Europe, however, the legacy of communism is still pervasive. Centrally planned economies have not yet been replaced by private enterprises operating under market conditions, especially in industry. Although noncommunists head most ministries and noncommunist parties dominate the legislatures, the political and managerial elite—the bureaucracy that implements and indeed shapes the decisions made at the top—consists largely of leftovers from the communist period. Old textbooks are still in use and the old educational establishment is in charge almost everywhere. The regimes have certainly changed, but the system in many ways survives.

The political culture, in particular, continues to reflect old habits of thought and behavior. The communist past haunts. It haunts with calls for increasing the authority of the executive branch and for adopting "emergency measures"—but only, of course, for the duration of the present "crisis." It haunts when one political party attacks another as "neo-Bolshevik," when neighbors denounce neighbors for having previously "sympathized" with the authorities of the old order, and when democracy, endowed with unrealistic popular expectations, replaces communism as utopia.

Thus while communism has been roundly defeated in central Europe and put on the defensive in the Balkans, its residual impact is hardly negligible. No magic wand can

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suddenly erase the habits and customs of four decades of communist rule; progress toward the adoption of democratic values is bound to be slow. The mentality of the recent past, which is at once intractable and elusive, and which continues to inform many a mind and tempt many an emotion, is likely to linger on even though almost all of the leaders who implanted it are gone.

III

The precommunist history of east-central Europe offers a diverse assortment of brave soldiers and wise statesmen, patriots and nationalists, conservatives and liberals, kings and prime ministers, opportunists and demagogues, and those who tried to be everything to everybody. In the age of European dictators during the 1920s, 1930s and the Second World War, a number of right-wing authoritarian nationalists also made an appearance on the region's political stage. Today, the memory of some of these historical figures has been resurrected by their compatriots.

In the first group of those who are being acclaimed today are moderate, perhaps somewhat conservative nationalists from the nineteenth century. Some were reformers devoted to the modernization of their countries, like the Hungarian Count István Széchenyi. Others were dedicated to the cultivation of the national language and national culture, like František Palacký, known as the political father of the Czech nation. Still others distinguished themselves by pressing for closer contacts with the West to overcome economic backwardness, or by resisting foreign intruders.

By the applicable historical standards of their time, these nineteenth century nationalists were neither democrats nor dictators; they represented a tradition that might be called semi-authoritarian or semi-democratic. Some introduced the very concept of a free press, for example, but still insisted that newspapers should promote national values. Others sought to broaden political participation by encouraging meaningful legislative activity, but they did so expecting legislators to pass laws that reflected the national interest.

In the second group of native sons now in vogue are nationalists of the twentieth century who were concurrently genuine democrats. For example, Tomáš Masaryk, the founding president of Czechoslovakia during the interwar years and one of Palacký's disciples, is on a pedestal once again. The

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memory of István Bibó, a liberal political philosopher who was briefly minister of state during the 1956 Hungarian revolution, is now universally revered by his compatriots. Significantly, their intellectual descendants include the current Hungarian president, Árpád Göncz, Bibó's close friend and one-time cellmate as a political prisoner; Prime Minister Tadeusz Mazowiecki, the Polish leader who under trying circumstances has guided the processes of transition in his country in a spirit of tolerance; and President Václav Havel of the Czech and Slovak Federal Republic, who regards himself as a disciple of both Palacký and Masaryk. As recent election results showed, their followers number in the millions.

Finally, in the third group are controversial right-wing nationalists from the interwar period, each with a checkered past. Poles are increasingly fascinated with Marshal Józef Piłsudski, an early socialist who restored their nation's independence during and after World War I, defeated the Red Army of the new Soviet state in 1920 and, after seizing power in 1926, curtailed parliamentary activities and imposed order on the Polish political scene. To his credit, in 1933 Piłsudski approached France with the idea of joint action against Hitler; he was turned down.

Some Bulgarians are nostalgic for the crafty and ruthless King Boris, who managed to expand his country's boundaries during World War II while keeping it independent. Though Bulgaria became an ally of Germany, he was rumored to have been poisoned by the Nazis.

In Slovakia, one wing of the small Slovak National Party has embraced the memory of Father Jozef Tiso, who began his career as an obscure priest, continued as a fervent advocate of Slovak independence, and ended as Hitler's henchman, delivering thousands of Jews to the Nazis. Though many Slovaks and even some Czechs pleaded for his life, he was brought to trial under Soviet pressure in 1947 and executed.

One of the heroes of the day in Hungary is Endre Bajcsy-Zsilinszky, whose political career followed an altogether different pattern. He rose to prominence in the 1920s as an antisemite and vehement anti-Romanian irredentist, but during the war became the brave leader of Hungary's small anti-German resistance movement, which included nationalists, agrarians, social democrats and communists as well. In 1944, after a shootout with the Gestapo, he was arrested by the Germans, then later again by the Arrow Cross—the Hungarian Nazis—who hanged him.

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It is obvious why this very mixed bag of aggressive interwar nationalists presently appeals to people just emerging from decades of Soviet domination, people who are only now learning to cope with the burdens and responsibilities of freedom. These historical figures put the nation and its mission, real or imagined, above all other considerations. They believed in order and discipline, and they despised the communists (except that Bajcsy-Zsilinszky, at the end of his life, joined cause with them against Nazi Germany). That some of them also held deep ethnic and religious prejudices is now either forgotten or forgiven.

It is not clear, however, what specific aspects of their political personalities curry favor these days—and with whom. Is Piłsudski popular because he defeated the Russian Army or because he was a dictator who brought "order" to his land? Is King Boris respected because he gained territory for Bulgaria or because he tried to outwit Germany? Is Tiso applauded as a successful advocate of Slovak independence or as a Nazi? Is Bajcsy-Zsilinszky a hero today because of his early antisemitism or because he became the leader and, indeed, a true martyr of the anti-Nazi Hungarian resistance? It is as difficult to answer these questions as it is to gauge the extent of public interest in the message their lives are supposed to convey. It is a fact, however, that not a single political party represented in the free parliaments of east-central Europe has today adopted a right-wing or militant nationalist platform.[2]

The exception is Romania, where an apparently officially inspired effort is underway to praise and honor Marshal Ion Antonescu, the country's wartime military dictator. For a while Antonescu had made common cause with the Iron Guard, a gang of pro-Nazi, viciously antisemitic hoodlums; when they threatened his rule, however, he unceremoniously crushed them. Antonescu was nevertheless at the helm when Romania entered World War II on Hitler's side, and when some of the war's worst atrocities against civilians, mainly Jews, were perpetrated by Romanian troops occupying Soviet territories. He is now frequently and approvingly quoted in the Romanian press, which describes him as "a great patriot" who had much

[2]In recent months, the American press has frequently focused on nationalism and its current popular appeal in east-central Europe. For a particularly spirited example, see George Steiner, "Books: B.B.," *The New Yorker*, Sept. 10, 1990, pp. 113–120. While there is reason for concern, it is as erroneous to reduce the region's complex past to irredentism as it is absurd to describe the present as an "unpardonable nightmare."

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to do "with the creation of Great Romania in 1918 and with the desperate struggle to preserve national unity and integrity between 1940 and 1944," presumably against neighboring Hungary, Bulgaria and the Soviet Union.[3]

What makes the Romanian case unique is that almost all significant political elements in the country—from the ruling National Salvation Front to the opposition National Peasants' Party and the National Liberal Party—have come to revere and court Antonescu's memory. By recalling foreign dangers that Antonescu confronted and by applauding his efforts and discrediting his critics, these parties try to identify their aspirations with his policies, making use of his apparently widespread appeal to gain popular approbation. The political message is unmistakable: only we, Antonescu's true heirs, can protect Romania from the foreign dangers still threatening its security, well-being and honor.

Taken together, the history of nineteenth and twentieth century east-central Europe, and the uses to which it can be put, vary significantly. Like a Chinese menu, the past offers dishes that are sweet, sour and spicy—some may even be inedible. Of the various historical figures who are now in the public eye, some were fanatical nationalists and worse, but some certainly were not. There is surely more to the past of east-central Europe than the unsavory dictatorships of the 1920s and 1930s. After all, almost all of these countries had built functioning parliamentary institutions and already enjoyed religious freedom in the nineteenth century. The great universities of east-central Europe had tenured numerous Jewish professors decades before many universities in America.

Some of the people of east-central Europe are susceptible to nationalist passions and the authoritarian impulse, especially in the Balkans, but again, many are not. The momentous change in Western Europe from the interwar era of dictatorships to the postwar era of democracies has made a substantial difference. It is difficult to imagine that either militant nationalism or harsh authoritarianism would for long dominate political life in Poland, Hungary or especially the Czech and Slovak Federal Republic. For just as a new Western Europe

[3] As quoted from the Bucharest daily *Romania Libera*, June 22, 1990, by Dan Ionescu in "Marshal Ion Antonescu Honored by Old and New Admirers," *Report on Easten Europe*, vol. 1, no. 34, Aug. 24, 1990, pp. 35–40.

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without borders has replaced the old Western Europe of nationalisms, so too should a new mentality take hold in east-central Europe—one that reflects the region's compelling economic interests, political aspirations, cultural affinity and, even, its best historical traditions.

IV

What could go wrong? More than anything else, economic distress could impede and even stifle the region's democratic evolution; it could spark a parochial, nationalist and possibly authoritarian response that would leave the region on the periphery of Europe.

But by all appearances, economic conditions are still better in east-central Europe than in the Soviet Union. In the Czech and Slovak Federal Republic, Hungary, the former East Germany, and now also in Poland, there are fewer shortages, fewer queues, and few who are left without food, shelter or heat. Because of inflationary pressures, living standards are on a downward slope, hurting the poor especially, but hyperinflation is not an imminent threat. Unemployment is up and rising, especially in Poland and what was East Germany, but the numbers for the region as a whole do not approach West European levels. Only in Romania and Bulgaria, where demand for just about everything outpaces supply, are consumers facing conditions similar to those in the Soviet Union.

All of the region's economies are in various stages of recession and the immediate future promises no relief. The old adage, "It is going to get worse before it gets better," certainly applies here. The future is also widely perceived to be grim; the predominant mood is one of pessimism and hopelessness, itself a major obstacle to economic revival.

Further exacerbating the prevailing sense of crisis are the altogether indecisive stances of the new governments, except in Poland and Germany. To its credit, the Polish government has applied a surgical knife to the economy.[4] East Germans, meanwhile, had no choice but to accept instant capitalism, West German style, which has produced chaos married to the promise of an economic miracle. But the governments of all the other countries have been slow and hesitant to confront the most pressing issues facing them: the allure of the "third

[4] See Jeffrey Sachs and David Lipton, "Poland's Economic Reform," *Foreign Affairs*, Summer 1990, pp. 47–66.

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way"; the proper tempo of transition to a predominantly private market economy; and the changing conditions of the international economic environment, featuring high energy costs and the virtual disappearance of established markets.

All governments and all significant parties in the region profess not to seek an elusive, happy middle ground—a "third way"—between market and plan, capitalism and socialism, pluralism and dictatorship. Without embracing capitalism per se, even most communist and socialist parties have come to support the market and advocate pluralism without adding the "socialist" qualifier. Instead of such old, disingenuous formulas as "socialist pluralism" and the "socialist market," they, too, now champion the goal of Western-style, pluralist, market-based economies.

Yet the conceptual consensus to complete this transition is more apparent than real.[5] True, all agree that there is no alternative to the market in the long run; that eventually even the poor will gain more by robust economies than by state-imposed policies of income redistribution; that denationalization, deregulation and even tax reductions are desirable instruments of economic policy. But there is a strong undercurrent of sentiment thoughout east-central Europe in favor of egalitarian ideals. Resourceful and successful businessmen are often accused of "profiteering." Paradoxically, but not surprisingly, most people still feel entitled to the costly benefits associated with socialism, such as free education, subsidized housing and paid maternity leave. This is true even as they now also long for the gains associated with capitalism, such as high living standards, the availability of consumer goods and the practice of letting individuals fend for themselves without undue governmental intrusion.

The appeal of the "third way" stems from the impression that governments can concurrently stay out of the business of production and allow the market to yield results, yet remain in the business of income distribution so that all get their fair share. Whether governments anywhere can effectively do both for long is debatable, but it is surely an unrealistic goal in east-central Europe today. For only after the region's economies become productive—after subsidies to failing enterprises have been eliminated, and the resulting unemployment and

[5] Seymour Martin Lipset, "The Death of the Third Way," *The National Interest*, Summer 1990, pp. 25–37.

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higher prices tolerated—can these countries contemplate the choice between, say, American and Scandinavian social policies. To deal with that choice now puts the cart before the horse, canceling or at least significantly reducing whatever chance the region has to adopt a new economic order.

Without differing about the long-term goal of creating a market economy, advocates of a piecemeal, gradual approach do disagree with those who prefer to attack most of the problems at once. The absence of useful precedents makes for a controversy without empirical referents. Even Spain and Portugal, each of which made a successful transition from dictatorship to democracy in the 1970s, inherited weak, but at least private, economies. Before 1990, no country in the world had ever attempted to create a market on the remains of an ineffective and totally mismanaged command economy.

The long-term goals, to repeat, are set. At the top of almost every list is privatization, followed by the freeing of most prices and the convertibility of currency. But each of these measures has invited numerous questions about how, and especially how fast, to proceed.

On privatization: Should the state favor former owners, and if so, how? In the absence of sufficient domestic capital, should the state curtail foreign investments so that foreigners obtain no preponderant power over the region's economies? Should the privatization of the service sector ("small privatization") precede the privatization of industry ("large privatization")?

On prices: Once the market is in place and genuine competition develops, most prices will be set by forces of supply and demand—but what happens until then? How long should the state continue to control or regulate prices, should it do both, and for which goods? What if the new market initially fails to produce sufficient competition and hyperinflation results?

On convertible currency: When should convertibility be extended to individuals as well as enterprises? Should governments determine the exchange rate; if not, when should the market begin to set a floating rate? When should foreign investors be allowed to repatriate their profits in hard currency?

It is on questions of this sort that the gradualists confront the radicals. Although the arguments are often clothed in economic terms, the gradualists (President Havel of the Czech and Slovak Federal Republic, among others) want to go slow mainly because they are concerned with the social conse-

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quences of rapid change: that privatization will lead to a growing gap between rich entrepreneurs and poor workers; that the liberalization of prices will intensify inflationary pressures; that currency reform will harm domestic producers and create massive unemployment. Advocates of the gradual approach (e.g., the leadership of the Hungarian Democratic Forum, the largest party in that country) are also concerned that foreign ownership will erode national values and undermine national culture. By contrast, the radicals who want change quickly (notably Minister of Finance Václav Klaus of the Czech and Slovak Federal Republic) seem to be guided primarily by political considerations. In their view, there is no gain without pain, irrespective of when the governments implement new policies. Whatever can be done, therefore, should be done now, while the popular mandate to make the transition to a market economy lasts.

If it were not for the crisis confronting the region, if economic conditions were more or less normal, a strong case could be made for caution in introducing changes as far-reaching as those under discussion. Given the current crisis, however, a stronger case can be made for attacking most of the problems at once; under dire circumstances, even life-threatening surgery is preferable to medicine that only palliates. But the problem is not that the wrong choice has been made. The problem is that, Germany and Poland excepted, no country in east-central Europe has made a deliberate choice between the gradual and the radical paths to economic transition. To the extent that a choice deferred is a choice made, however, the region is actually proceeding slowly toward a market economy, debating the pros and cons of every step at considerable length, and then, too often, implementing only some of what has been decided.

In 1990, sudden changes in the international economic environment—the virtual collapse of the Council for Mutual Economic Assistance and the unanticipated oil crisis—exacerbated the region's problems. The breakdown of Comecon has produced serious dislocations in foreign trade. Contracts signed only last year have been canceled, especially by the Germans, or arbitrarily revised, especially by the Soviets. There is now both a short supply of some goods, causing factories and consumers alike to search eagerly for last-minute replacements, and an oversupply of other goods, for which substitute markets can seldom be found.

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The old pricing mechanism of Comecon, for all practical purposes, has ceased to function. The primary unit for transactions was once the "transferable ruble," originally intended to provide an alternative standard to the dollar in Comecon trade. In fact, it was neither a real ruble nor was it transferable, or even usable as money to buy anything, anywhere. And it could not, of course, be converted to Western currencies. The transferable ruble was, in short, a primitive accounting device used to assign an artificial value to goods exchanged in old-fashioned barter deals.

While some items, notably Soviet oil, had been traded before in hard currency, it was only early this year (before the Persian Gulf crisis) that the Soviet Union began to demand dollars for most of the oil it sold to east-central Europe. In return, it would pay hard currency for most of the goods it purchased from the region. The Soviet Union benefits, however, because the price of Soviet oil keeps rising as the world market price keeps rising, while the prices of most goods the Soviet Union imports from the region remain relatively stable. For this reason, and because of production-related problems, the Soviet Union is already reducing its 1990 oil deliveries to east-central Europe, and will make further cuts in 1991.

The crisis in the gulf is, of course, making things worse. Iraq is now most unlikely to repay its more than $4 billion in debt to the six countries of east-central Europe—either in dollars or in oil. Depending on what happens in the gulf, Soviet oil could cost the region four or five times as much in 1991 as it did in 1989, when the Soviet Union sold oil to Comecon members at what amounted to a substantial discount. Thus, even if the world market price were to settle at $25 per barrel in 1991, Bulgaria, for example, would still have to spend *all* of its projected dollar revenues for that year on energy.

At least in the short run, then, the combination of all of these changes in the foreign economic environment—the new dollar-based system of trade with the Soviet Union, the sudden rise in the price of oil and the shortfall it is expected to produce, and the loss of established markets—presents a new predicament for the economies of east-central Europe. The damage may be relatively greater for Bulgaria and the Czech and Slovak Federal Republic than for Romania and Hungary, but taken as a whole, none of the countries of the region can hope to cope effectively with the immediate impact of changes of such magnitude. By adopting conservation measures, or

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possibly by accepting a balance of trade deficit, they can only hope to muddle through.

In the long run, however, the multiple crises of the moment might turn out to be a blessing in disguise. The high price and reduced supply of Soviet oil, combined with the contraction of the Soviet market, leaves the region with no choice but to reorient its trade toward the West; only by earning more hard currency will it be able to buy more energy. The breakdown of the old Comecon pricing mechanism might also have a welcome influence on the transition to a market economy, because economies adjusted to realistic prices abroad will be better positioned to liberalize prices at home.

Recent changes in the region's international economic environment should thus help crystallize the domestic economic choices ahead. The fact that east-central Europe can no more rely on the Soviet Union for its energy needs than it can rely on the Soviet Union as a steady market for its products should alter the terms of the ongoing debate about the tempo of transition. It leaves economists and politicians of the "go slow" persuasion with a much weaker case.

The issue is this: In what condition will the region emerge after the present oil crisis is over? Will they have found new markets, attracted Western investments, privatized their industries, liberalized prices and made their currencies convertible? Without making the necessary structural changes now, these nations will be in no better position when the next oil crisis occurs. The immense difficulties of the moment should not be underestimated, but they should also be used to effect the essential measures for the long-term transition to a productive market economy, thus turning adversity to advantage.

V

For four decades, the West had two objectives in its policies toward communist Eastern Europe. First, it sought to encourage polycentric tendencies in order to weaken the Soviet bloc in general and the Warsaw Pact in particular. Second, reflecting values important and dear, the West also sought the emergence of a politically democratic region where human rights would be respected. With Moscow's retreat from the new east-central Europe, the first objective has been accomplished and Western security enhanced. On the agenda for the 1990s is the second objective: democracy. Does it matter to the West anymore?

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It would seem obvious that active Western engagement on behalf of a democratic east-central Europe is now needed. The task is to help convert freedom and independence into democracy. Yet the case for such a policy must be restated, because the short-term geopolitical rationale for an activist stance has disappeared. In at least some Western countries, east-central Europe is certainly no longer the flavor of the month. There is no longer a need to divide the Soviet Union from its Warsaw Pact allies: that pact has virtually ceased to exist. If anything, the West is now hoping to put Moscow at ease about its great-power status, by trying to persuade Moscow's former allies not to humiliate their big neighbor by leaving the Warsaw Pact "prematurely," or otherwise acting offensively or tactlessly. Thus, from a narrowly construed geopolitical perspective, the new east-central Europe may be considered to have lost much of its former importance.

Yet this short-term perspective is shortsighted, and so is the conclusion to which it leads. The meaning and requirements of Western security have changed. In terms of historical analogies, 1990 is more like 1914 than 1945. The threat is no longer the much-feared invasion of Western Europe from the East; it is instead the pre-Cold War, precommunist, traditional, and far more subtle challenge of European instability. The issues have to do with the fragmentation of old alliances, with the incalculability of how the two most powerful European countries—the Soviet Union and Germany—will behave under new circumstances, in the absence of a new security order, and with the prospect of rising nationalist and ethnic passions in the Balkans and many other parts of Europe. The challenge now facing Western diplomacy is thus more complex than it was in the recent past.

If the new European architecture is to be stable, then, it must include an increasingly prosperous and therefore an increasingly democratic east-central Europe. To bring this about does not mean that Western governments must now issue several blank checks on the treasury. While the West should be more forthcoming with debt relief to Poland and Hungary, the main tasks are to remove the barriers to expanded trade relations that remain on both sides, to energize diplomatic activity on behalf of the region's democratic evolution and to encourage regional cooperation.

The first task—removing trade barriers—does not imply the immediate entry of east-central European countries into the

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European Community in 1992, or even soon thereafter. There are several other countries knocking on the door, Austria, for one, that are better qualified for admission. But it should be possible to open West European markets, including those of the EC, to products from east-central Europe on a preferential basis. Some form of associate membership should be extended to those countries in the region that make the greatest structural changes within their economies that correspond to Western patterns, and concurrently observe Western political habits and modes of behavior. Put another way, the West should not be shy about conditionality based on a policy of democratic differentiation: the price of admission into Europe is bona fide European citizenship.

As for economic activity from West to East, the role of Western governments is to encourage private businesses to explore new opportunities in the region. The West has already established an economic presence in east-central Europe; the trends are encouraging. As elsewhere in the world, the Germans and the Japanese are doing particularly well because they seem less eager to make an immediate return on their investment. But there are still excellent opportunities for exporting know-how and for investing in areas such as tourism, telecommunications, light industry, the service sector and agriculture. It is now up to Western governments, including the U.S. government, to help Western companies take advantage of these opportunites. One seemingly minor, but important, example: Western embassies in the capitals of east-central Europe must provide more commercial officers to offer up-to-date information to prospective investors and export-import firms.

The second task—the aggressive promotion of democratic values by diplomatic means—should include a concerted effort to tell the new, elected governments in east-central Europe what the West does and does not like. While it should not tactlessly interfere in internal affairs, the West must clarify and convey its expectations. The message should be similar to that which the United States communicated firmly but politely to Germany and France in 1947: "only if you get your act together can you expect us to be helpful." It worked. Two of the great historical antagonists of all times have become good neighbors.

The third task—encouraging regional cooperation—can be built on some of what was begun in 1990. The loose five-

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country association, the "Pentagonal Initiative" (Italy, Austria, Yugoslavia, Hungary, and now the Czech and Slovak Federal Republic), is a promising effort to work together in such functional areas as transportation and the environment. For reasons that are not entirely clear, a high-level meeting in April that was intended to create closer, institutionalized ties among the Czech and Slovak Federal Republic, Hungary and Poland turned out to be unproductive. In any case, the West should encourage such attempts at regional and inter-regional cooperation both for what they can accomplish and what they portend. Successful cooperation would demonstrate that some or all of the countries of east-central Europe can overcome national differences and that they are therefore qualified to join, at some point, an all-European democratic community of nations.

For the West to convey these expectations should not be construed as undue interference. The purpose is to clarify the choice between parochialism and European integration, and thereby indicate the price of admission into Europe. For the question is not only what the West can do for east-central Europe but what east-central Europe can do for itself, so that each country in the region can recover its old place and discover its new identity in a Europe that is whole and free and stable.

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Ed A. Hewett

THE NEW SOVIET PLAN

Among the many conflicts in the U.S.S.R. in the summer of 1990, none was more riveting or important than the clash between Mikhail Gorbachev and Boris Yeltsin, the chairman of the parliament of the Russian Soviet Federated Socialist Republic (R.S.F.S.R.). Since last May Yeltsin has been on the attack, accusing Gorbachev of dragging his feet on the introduction of market reforms and of denying Russia its sovereignty. The demand for sovereignty has been popular among Russians convinced that their lives would improve dramatically if they could only liberate their republic's resources from the hands of Moscow bureaucrats. For other republics it was an immense boost to have Russia—the core of the U.S.S.R. and Gorbachev's power base—join their side in their battles with the central government. The call for a rapid move toward a market economy also found enormous resonance in a population frightened by the combination of a chaotic economy and a government helpless in the face of the decline of the Soviet Union.

For Gorbachev, skilled politician that he is, Yeltsin's approach and its appeal could hardly have come as a surprise. The Soviet president must have watched with a tinge of envy as his old rival used his advantage as a leader of the opposition to insist that the problems were easier to confront than the leadership supposed and, in particular, that introducing a market economy need not be painful if only it were handled well.

II

Yeltsin's message was welcome news to a population already feeling pain long before the government got around to considering a market system. As 1990 unfolded the Soviet economy was sliding downward, with no realistic prospect of a

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reversal. Official statistics in the spring were already showing a fall of between one and two percent of GNP, and a realistic adjustment for inflation would have yielded an even greater decline. Inflationary pressures were building as the government printed rubles at record rates to accommodate a deficit equal to between five and six percent of GNP and to allow wages to grow at about nine percent per annum—although labor productivity was actually falling. Consumer savings began to swell as the growth in wages far outpaced real output. The government estimated that consumers held approximately 165 billion rubles (equal to about a half-year's consumption expenditures) in "hot" money—so called because consumers were likely to spend it quickly whenever goods appeared. Finally, sheer governmental mismanagement, compounded by the oil-price shock that began in August, left the Soviet Union several billion dollars in arrears on suppliers' credits, leading to a dramatic plunge in the Soviet credit rating in international financial markets.

Prime Minister Nikolai Ryzhkov's government tried to respond, submitting to the Supreme Soviet in May a plan for introducing a market economy. As an economic document this was a major improvement over previous efforts. It recognized the need to create a market economy, and the approach it proposed made sense in many ways. But it was vague on how quickly a market economy would emerge and, in particular, on how property rights would be handled under the new system. As a political document, however, it was a disaster because it led off with a bone-crunching austerity program built around a massive increase in consumer prices. To be sure, the government promised compensation for the price increases and indexation of future incomes. But the population was in no mood to trust the Ryzhkov government, given its previous track record; accordingly, the Supreme Soviet sent the prime minister back to the drawing board with orders to come up with a better plan by September 1990.

In most countries the government would have fallen with the rejection of its plan. But in the U.S.S.R. today, it remains Gorbachev's decision whether to replace a government. For whatever reason, he chose to hold on to Ryzhkov. As the summer wore on, disintegration of the party and the centralized union accelerated. The government began to lose control over the situation.

This provided an ideal platform on which Yeltsin could

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stand tall, promising to bring order from chaos by installing a market economy in 500 days, and at the same time to give substance to the hitherto empty concept of a "union of sovereign republics." Yeltsin was still essentially powerless, but he was hugely popular and had political momentum—and not only in Russia. Gorbachev, on the other hand, enormously powerful on paper and triumphant on the international stage, was increasingly unpopular at home and was losing momentum, even in Russia.

Under these circumstances Gorbachev moved in late July to cut a deal with Yeltsin. On August 2 he announced the formation of a working group of 13 members, including both his and Yeltsin's top advisers, charged with combining the Ryzhkov and Yeltsin plans into a common strategy for introducing a market economy as the foundation for a new Treaty of Union (to replace the previous treaty, which dated from 1922).[1] What came to be called the Shatalin Working Group (after its chairman, Stanislav Shatalin, the only economist on Gorbachev's presidential council) was given one month to complete its work, with the intention that this group's report, and not the Ryzhkov government's revised plan, would be what would go to the Supreme Soviet the first week in September.

The Shatalin Working Group complied with the timetable, and—as best they could—with the mandate. They presented Gorbachev and Yeltsin with a plan to create a market economy and an economic union in the U.S.S.R. in 500 days; the proposal also included much of what made sense in the government's plan.[2] They proposed to present this plan both to the U.S.S.R. Supreme Soviet and to the supreme soviet of each republic, in the hope that all would approve it by late September, enabling the 500 days to run from October 1990 to March 1992.

Despite Gorbachev's clear directive, the Ryzhkov government cooperated only reluctantly and partially with the Shatalin Working Group. Indeed, Leonid Abalkin, Ryzhkov's dep-

[1] The original composition of the working group included Stanislav Shatalin (its chairman) and Nikolai Petrakov, both economic advisers to Gorbachev; Leonid Abalkin, the U.S.S.R. deputy prime minister in charge of economic reform; Grigory Yavlinsky, the R.S.F.S.R. deputy prime minister in charge of economic reform; Boris Fedorov, the bright young minister of finance for Russia; and a group of mostly young academic specialists.

[2] *Perekhod k rynku* (Transition to the Market), 2 vols., Moscow, "Arkhangel'skoe," August 1990. Volume I contains the program, volume II drafts of selected legislative acts. All references here are from volume I.

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uty prime minister in charge of economic reform and the only direct link between Ryzhkov and the Shatalin Working Group, dropped out early in August. The Ryzhkov government came back to the Supreme Soviet on September 1 with merely a revised version of its May plan, while the Shatalin Working Group—essentially converted into a task force for elaborating Yeltsin's 500-Day Plan—presented a very clear and radical alternative.

III

While the two plans shared much in their details, there were several large issues on which they fundamentally disagreed. The Shatalin Plan began by reconstituting the U.S.S.R. as a confederation, which would then grant powers to the center. The Ryzhkov Plan retained powers in the center, but granted increased power to the republics.

The two plans also disagreed on sequencing and timing. The Shatalin Plan would have deferred consumer price increases, beginning instead with such measures as a quick sale of state assets to build popular support for the program. The Ryzhkov Plan, on the other hand, would still have led off with price increases, albeit less severe than those proposed in May, and with full monetary compensation to the population. Finally, the authors of the Shatalin Plan called for a rapid dismantling of the government apparatus and "destatization" of assets, while the Ryzhkov Plan (written by the government apparatus) would have moved more slowly on both counts.

Gorbachev was unwilling to endorse either plan. His closest economic advisers—Shatalin and Nikolai Petrakov—were authors of the 500-Day Plan, and clearly Gorbachev was drawn to many parts of the scheme. But the most obvious problem for Gorbachev was the federalizing plank, whereby the U.S.S.R. would be converted into a confederation. Moreover, Gorbachev persisted in supporting Ryzhkov, and his preference for the middle ground led him to ask economist Abel Aganbegian in early September to develop a compromise. In a very few days Aganbegian came up with a new document that was basically the Shatalin Plan, but which contained a healthy dose of "blue smoke and mirrors," particularly in its proposals for the structure of authority in the new federation.

By mid-September the parliament of the Russian Republic endorsed the Shatalin Plan, basically on principle, since they hardly had time to digest all 222 pages. The Soviet (all-union)

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parliament, on the other hand, had by then only just received the three documents they were being asked to consider: the Shatalin Plan, the Ryzhkov (formally, the Council of Ministers) Plan, and Aganbegian's rewrite of the Shatalin Plan. Even Aganbegian's plan, however, failed to receive Gorbachev's explicit support, and the all-union Supreme Soviet recommended that the president ask yet another group to combine the three plans into one, and report back to it on October 15. In the meantime Gorbachev asked for and received special powers to issue decrees necessary to stabilize the economy and move to a market. Not coincidentally, these powers are valid through March 1992, approximately 500 days later.

On October 16, Gorbachev came back to the Soviet parliament with a "Presidential Plan," which he fully supported. This plan, again authored by Aganbegian, retains the basic elements of Aganbegian's earlier draft, and therefore of the Shatalin Plan. But the Presidential Plan is one-third the length of the Shatalin Plan, leaving out virtually all specifics on key points, and eschewing a day-by-day timetable. For example, it drops any mention of 500 days, but retains the four stages of the original Shatalin Plan. It is therefore not so much a plan as it is a statement of intent so general as to be unobjectionable to the various factions in the debate. It easily passed the Supreme Soviet on October 19—with the proviso that the legislators might wish to modify it later—and it was to go into operation on November 1.

At the same time, Gorbachev continued to issue presidential decrees, many of which are not dissimilar to those called for in the first 100 days of the Shatalin Plan—the difference being that the decrees are coming out in absence of an agreement with the republics. Indeed, Russia has announced its intention to go ahead with the 500-Day Plan, which is likely to mean considerable tension with the union. Other republics, while they may not follow the 500-Day Plan, will also tend to go their own ways.

While the Shatalin Plan seems, for the present, to have been shoved into the background, there are good reasons to believe that its significance will nevertheless loom large in the coming months. The fact that the plan was too radical to win approval this fall means little. Given the rapidly deteriorating economic and political situation of the U.S.S.R., this month's unacceptably radical proposal can be next month's conventional wisdom. Moreover the unique strength of the Shatalin Plan,

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among all the plans under discussion, lies in its serious attempt to come to grips with current political and economic realities; it assumes the union is breaking apart and seeks to construct a viable economic logic to reconstruct it.

Over the next years as the centrifugal forces grow still stronger and the economic crisis deepens, it is the Shatalin Plan that offers the only feasible approach to controlling the disintegration and reversing the economic decline. To understand this plan is to understand the dilemma the Soviets now face, and its possible resolution.

IV

The origins of the Shatalin Plan lie in a 400-day model drawn up last February in Deputy Prime Minister Abalkin's office by Grigory Yavlinsky and several of his associates. It was designed to guide Gorbachev in using proposed strong presidential powers to stabilize the economy quickly and introduce a market economy, all by decree. Although Gorbachev did, in fact, win his new presidential powers in March, he ignored the plan, relying instead on the Ryzhkov government (essentially Gosplan, the state planning agency) to implement reforms. The plan lay dormant until the spring, when Mikhail Bocharov, a contender against Yeltsin for the chairmanship of the R.S.F.S.R. Supreme Soviet, modified and expanded it into a 500-Day Plan. Upon assuming his new post, Yeltsin adopted the plan as his own, and Yavlinsky left Abalkin's office to join the Russian government as a deputy prime minister and chairman of the R.S.F.S.R. State Commission on Economic Reform (the counterpart to Abalkin's post at the union level).

In August Yavlinsky and his co-authors joined the Shatalin Working Group, along with Evgeny Yasin, Abalkin's most senior and best economist. They brought with them the 400-Day Plan, the proposed 500-Day Plan, and other programs they had developed while working for Abalkin that had been rejected as too radical. Under the leadership of Shatalin, Nikolai Petrakov (Gorbachev's personal economic adviser) and Yavlinsky, the group set out to weave these disparate threads together into a plan for creating an economic union and moving to a market economy in 500 days.

The result is an exciting document, infused with a spirit of liberation from the dogmas of the past and from the bureaucracy that has used those dogmas to retain its oppressive hold over the lives of Soviet citizens. The word socialism never

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appears; Karl Marx does not even linger in the background. The authors of the plan are pragmatists seeking to create—in less than two years—a market, or what they sometimes call a "normal," economy. Most prices would be determined by supply and demand; enterprises would be primarily in private hands (or at least under the control of the stockholders, only one of which would be a disinterested state "owner"); the ruble would be fully convertible, and the economy would be oriented to meet consumer needs, not those of the military or the bureaucracy.

But the Shatalin group members were pragmatists working against a one-month deadline, faced with a bureaucracy reluctant to give them the necessary data or help. The result, for all its boldness, is a hastily prepared, internally inconsistent and sometimes vague document supported by only very sketchy quantitative analysis. On some key issues—for example the rate at which privatization will occur—different parts of the plan offer dramatically different scenarios. The answers to other concerns—the likely magnitude of a decline in economic activity or real living standards, for instance—are either not given or are only implied. This document deserves to be analyzed, however, because the Presidential Plan that was adopted by the Supreme Soviet in October still follows the main line of the Shatalin Plan, albeit at a slower and more conservative pace.

V

In Stage One, the first hundred days, of the 500-Day Plan the Soviet Union would be reconstituted as a voluntary economic union, much along the lines of the European Community.[3] The 15 sovereign republics would hold all power in the system, governing through an Inter-republican Economic Committee (IEC), which would supervise the remaining, and much diminished, central bureaucracy. The chairman of that IEC, separate from the president of the U.S.S.R., would wield considerable power. The center would serve the republics, enjoying only the powers granted to it. Each of the republics would control the introduction and operation of the market economy within its borders; each could move at a somewhat

[3] Republics not prepared to join the union could apply for "associate" or "observer" status. I will assume here, for purposes of exposition, that all 15 would join.

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different pace, although large disparities would cause difficulties.

The plan calls for a unified all-union market, with no internal barriers to trade, and a single tariff system surrounding the entire country. The unified market would require a single currency and a single central bank, the "Reserve System," modeled after the U.S. Federal Reserve and enjoying independence from the central and republican governments. The Reserve System would be managed by a chairman and assistants appointed by the Soviet president, and by a board composed of those appointees and the heads of the central bank of each of the 15 republics. Macroeconomic stability would be preserved by a firm rule that the central and republican governments could not (with minor exceptions) finance deficits through the bank, but only through bond sales to the population.

Republics would delegate to the central government responsibility for national defense, internal security, the regulation of prices for key products, environmental policy and other responsibilities that the republics agree should be managed at a national level. Because republics and local authorities would hold all taxing power, finances for central government activities would be gathered either through contributions from the republics (according to a formula negotiated among them) or—more probably at the beginning—through the granting of specifically delimited taxing powers to the center (for example, a turnover tax or a profits tax).

All foreign exchange would flow either to the republics (for example, receipts from the export of raw materials and fuels, which would be recognized as republican property), or to enterprises within the republics. These enterprises would be required to sell some of their foreign exchange for rubles at the prevailing exchange rate. The republics would then retain some of that foreign exchange, dividing the remainder between contributions to local authorities and a central fund for servicing the Soviet debt.

The plan leaves much unsaid regarding procedures for reaching and enforcing agreements among the 15 republics. It suggests, for example, that contributions by the republics to the central budget could be made either on the basis of relative level of GNP, or on GNP per capita, without belaboring the obvious point that using the per capita formula would cost the rich republics much more than the total GNP formula.

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Also, it is clear that this constitutional component of the plan—which the Shatalin Working Group developed in close consultation with representatives of virtually all of the republics—is not fully integrated with the remainder of the document. Many chapters of the plan discuss in detail what economic policy should be without even a passing mention of the fact that such policy could be instituted only after long, presumably heated, debates in the IEC. There is a very clear sense in this document that the economists on the Shatalin Working Group were able or willing to absorb only partially the logic of an economic union in their plans for the introduction and operation of a market economy in the Soviet Union.

VI

The first stage of the Shatalin Plan would also feature a set of quickly executed measures designed to win the confidence of the population by a clean break with the past, combined with an all-out effort to use existing resources to expand the supply of goods while retaining controls over prices and over much economic activity. Then, having done all it could with existing resources, the leadership would turn to the people to ask for patience and some sacrifice during the remainder of the implementation period.

The break with the past would start on Day One, with the Soviet president and the heads of the republics issuing decrees declaring equal rights for all individuals in all forms of economic activity, announcing guarantees of property rights to individuals and eliminating laws punishing entrepreneurial activity. A general amnesty would be given to those arrested in the past for economic crimes that would no longer be illegal in the new system.

Some elements of the past would be temporarily retained in order to preserve a modicum of stability. Prices would remain frozen throughout the first stage. Enterprises would be required to fulfill state orders (a device introduced several years ago to replace obligatory plan targets) but they could negotiate prices with the Union Contractual System, the all-union body issuing the orders. Moreover, the magnitude of state orders would probably be lower than under the old system. Although price liberalization would begin after the first phase, state orders would be retained until about halfway through the program, in order to retain some semblance of stability during the early, and most tumultuous, phases of the transition.

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There would be a quick sell-off of various state assets: a portion of the state-held fleet of autos and trucks; unfinished construction projects, uninstalled equipment and construction materials; various civilian products (e.g., automobiles) now in the hands of the military; and assets, now held by "social organizations" and other party organizations, that were acquired with state funds. These moves would have the triple advantage of establishing the new system's concern for consumer welfare, of launching the process of privatization immediately and, at the same time, of soaking up some of the 165 billion rubles in "hot" money.

The Reserve System would be up and running within the first two weeks, and within several months the existing specialized state banks (for industry, agriculture, and so forth) would be converted into joint-stock commercial banks. The Reserve System would freeze the money supply in an effort to squeeze out inflation. This, plus a cutoff in subsidies to state enterprises, would put pressure on all enterprises to improve efficiency.

In Stage One the government would balance the budget by cutting various expenditure categories: a twenty percent cut in KGB expenditures, a ten percent cut in defense (from which a third of the savings would be used to increase salaries for military officers and housing allowances for decommissioned soldiers), a reduction of approximately 15 percent in centrally financed state capital expenditures, and a cutoff in all subsidies to state enterprises.[4] Had these measures been implemented for the fourth quarter of 1990, as originally scheduled, the Shatalin Working Group estimates that the budget would have staged a turnaround, from a projected 15-billion-ruble deficit that quarter to a surplus of four billion rubles. A freeze would be put in place on new budget programs costing over 100 million rubles, save for programs associated with the cleanup of the Chernobyl nuclear accident site.

During the first stage a multitude of measures would be applied in an effort to stabilize the consumer goods market. The government would move to expand the supply of consumer goods through the asset sales mentioned earlier, and through sales of consumer goods imported with Western assistance. The central government would also sell to the

[4] These are all cuts for one quarter, and would be less for the year as a whole.

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population what I estimate to be $1.5 billion, or approximately ten percent, of its dollar holdings, and $400 million, or about one percent, of its gold bullion reserves, receiving in return 12 billion rubles. Quick sales of one percent of the housing stock would bring in five billion rubles during that first hundred days.

These asset sales would continue throughout the four stages of implementation, eventually totaling 143 billion rubles. These measures alone could potentially put a major damper on excess demand, although how much depends on how confident Soviets are that the stabilization program will succeed. Soviet citizens have about 500 billion rubles in cash and savings, and all of that would become "hot" if they became convinced that hyperinflation were imminent, in which case they would become desperate to exchange their cash for goods.

VII

In addition to these quick sales of assets, the cornerstone of the Shatalin Plan is a call for the government to get started immediately on the "destatization" and privatization of productive assets. "Destatization" (*razgosudarstvlenie* in Russian) is a very special term that is important to understand in order to avoid confusing it with denationalization. It means, literally, taking the assets out of the hands of the state (read "bureaucrats"), but it does not automatically imply selling or giving those assets to private persons. The assets, for example, could be leased out for a fixed fee; they could be sold to employees or given out on a lease-to-buy basis, or they could simply be transferred to a state-established holding company that would act as an independent owner/investor. Privatization, by sale or auction to private individuals, might then occur either immediately or somewhat later.

The plan stipulates that within the first two weeks the U.S.S.R. Fund for State Property (which was created this summer to manage assets transferred from branch ministries) and its republican counterparts would agree on who would be responsible for destatizing portions of the state's assets, which have a book value of 2.6 trillion rubles. The center would retain control over several categories of assets: defense contractors; producers in the nuclear power industry; the pipeline, railroad, postal, telegraph and unified energy systems, and all military facilities.

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A second set of industries—instrument makers, communications-equipment manufacturers, electronics, shipbuilding and other national but nonstrategic industries—would be converted into transrepublican joint-stock companies, whose stock would be distributed among the republics.

Republics and local authorities would divide responsibility for destatizing the remainder of productive assets. In the first stage priority would be given to rapid destatization or privatization of enterprises in the construction and construction-materials industries, auto transport, services, trade, light industry and food processing. The plan recommends total privatization of all small retail outlets and restaurants, if not in the first stage, then shortly thereafter.

It would also be during the first phase that republican and local authorities would begin a massive land reform, along with a privatization of farming and farm-related services. The goal is to reconstitute some of the 60,000 state and collective farms into private or cooperative farms, while breaking up others to free land for the creation of 150,000–180,000 small farms. These farms would be free to grow or raise what they wished, and could sell their products at market prices. This new freedom, combined with a privatization in the transportation and food-processing industries, will lead to a rapid improvement in the quantity and quality of food available to the population—or so the Shatalin Working Group hopes.

The working group recognizes that destatization and eventual privatization of the huge state enterprises will take considerable time to implement, although different portions of the report vary greatly on just how much time. Particularly at the beginning, when there is no experience in this area, no capital markets and a price system in disarray, it would be risky to force the pace of destatization.

The report emphasizes investment funds as a transitional form of ownership, useful in beginning the process of converting to joint-stock companies. State enterprises slated for destatization through conversion to joint-stock companies would be given a book value, for which a packet of stocks would be issued and then passed on to the appropriate investment fund. These funds would act as owners (without participating in the daily operations of the enterprises), and receive dividends, which would be passed on to the budget of the union, republican or local government that created the fund. Over time the investment funds would dispose of their

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stock through sales to the population, to workers of the enterprises involved (up to ten percent of the stock can go to them at a discount) and to foreigners. Most of the proceeds from the sales would simply be taken out of circulation as part of the effort to soak up "hot" money.

There is no effort in the report to estimate the potential value of productive assets sold over the 500-day period, but some magnitudes are discussed. Selling off small retail outlets might raise four billion rubles early on. More significant sums would come from selling off the large enterprises. Here, the authors of the Shatalin Plan offer the suggestive calculation that the population could more or less immediately purchase something in the range of 100–150 billion rubles of assets out of cash holdings (mostly stocks), and another 50–60 billion rubles per year for the first two years out of new savings. That would add up to sales of something approaching ten percent of the two-trillion-ruble depreciated value of all capital in the U.S.S.R. over the 500 days.

The arithmetic is clear enough. But the timing would require the instantaneous resolution of all the disputes now raging among various government bodies at all levels over who owns what in the U.S.S.R.—and such concord seems highly improbable. Moreover, it is unlikely that the population will purchase significant amounts of assets early on, before they are fairly confident that the new economic environment has truly changed, and changed irreversibly in a direction favoring private initiative and enterprise. That, also, will likely take a lot longer than 100 days.

In short, the Shatalin Plan outlines a two-speed approach to privatization. Small enterprises would be sold immediately in a straightforward privatization that would not amount to much in rubles, but would signal a total departure from past practice. Most of the large enterprises now controlled from the Moscow ministries (with the exception of those slated to stay under central control, such as defense plants) would be immediately shifted to state holding companies ("destatized"). Then over an unspecified period extending over years, these enterprises would gradually be sold to individuals, either directly or, more generally, through stock sales. The final result, easily a decade away, would be a mixed economy, probably with a considerably larger state sector than is typical of Western Europe.

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VIII

During Stage Two—from Day 100 to Day 250—the pace of destatization and privatization would accelerate, very tight monetary and fiscal policies would continue and the first moves toward price liberalization would be taken. Price liberalization would result in an increase in the price level, leading to pressures for some compensation from those segments of the population that are well organized, or well placed to strike. Layoffs would accelerate, throwing people into the newly created unemployment and retraining system.

The Reserve System would continue to freeze the money supply during this period, and output would fall in many sectors. The national and regional governments would move to balance budgets by continued expenditure cuts, but even more by increasing taxes and finding other new revenue sources. Most notably, dividend income from joint-stock companies is projected to provide an additional 60 billion rubles per year (out of total annual budgetary receipts in the range of 610 billion-677 billion rubles); social insurance rates would be dramatically increased, bringing in an additional 125 billion rubles per year in new revenue, and turnover tax receipts would rise, approximately canceling out the drop in profits tax receipts as enterprise profits fall.

Many enterprises will be forced to cut output under the pressure of falling demand. Those enterprises in the greatest economic difficulty would be targeted for sale, as the destatization and privatization processes accelerated. At the end of Stage Two, between 1,000 and 1,500 state enterprises would be operating as joint-stock companies under investment funds, and approximately half of all small retail outlets would be in private hands.

The liberalization of price controls would be one of the key components of this stage, and the design of these measures will play a critical role in determining the success of the program. For that reason it is unfortunate that the plans for price reform are rather conservative, at times out of step with the radical tone of the remainder of the program. From Stage Two onward, most wholesale prices for manufactured goods would be freely negotiated between buyer and seller, with two exceptions: markets where one or a few producers dominate would be state controlled, and goods produced under state

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order would be negotiated with central authorities, and could even be imposed by them if no agreement were reached.

Prices of the most important raw materials and fuels, which generally move in inter-republican trade, would be negotiated among the republics, and then administered by union authorities, who would adjust prices over time as costs change. Surprisingly, there is no indication in the plan that these prices should approximate world prices for similar products. This is a dangerous omission, for if prices for these critical commodities differ significantly from world prices, the entire price system will be distorted, leading inevitably to a multiplicity of restrictions on economic activity and foreign trade, in direct contradiction to the spirit of the entire Shatalin Plan.

Retail prices constitute one of the most sensitive areas. The Ryzhkov Plan failed before the Supreme Soviet in May because of its intention to raise consumer prices, and Yeltsin promised that his plan would be different. The Shatalin program calls for liberalizing retail prices gradually after Stage One, except for a group of approximately 100–150 products whose prices would continue to enjoy subsidization throughout the 500 days. Precisely which products are involved is not clear. The plan does state that toward the end of the 500 days, between seventy and eighty percent of consumer goods should be selling at free prices, and that at the conclusion of the 500 days only a few necessary consumer goods will be sold at controlled prices (some types of bread, meat, milk, cooking oil, sugar, basic medications, school texts, transport fares and selected consumer services).

Each republic will design the subsidy system for its jurisdiction, the general policy being to subsidize over-the-counter goods directly at the retail outlet. This, it is hoped, will be a major improvement over the existing system, which subsidizes at the wholesale level, allowing black marketeers to take subsidized goods and resell them for huge profits. Nevertheless, it will still be a very difficult matter actually to confirm sales over the counter, as opposed to under it, since the rewards of black market sales will be high for those willing to falsify sales data.

IX

These price controls are an important component of the Shatalin Plan's attempt to win popular support for a quick move to the market. The program offers extensive promises to

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protect living standards. In addition to controls on consumer prices, the second 150 days would see the introduction of partial indexation of incomes, in order to compensate consumers for whatever inflation did occur. But it is not clear precisely what form this indexation would take, and whose income would be covered. Nor does the plan estimate the total costs of a system of indexation.

Republican and local authorities would be in charge of indexation, and would finance it wherever state money was involved. Indexation would be based on a special consumer price index for nondurable goods. Enterprises would be ordered to increase wages by some portion of the increase in the index, financing the increase out of their own funds if profits permitted. If profits did not permit this, the state would have to pay. This provision appears to apply to all enterprises, including those privately owned, but the report does not comment on the possibility that the state might end up subsidizing unprofitable private firms in order to index wages of their employees. Republican and local governments are to pay directly to subsidize pensioners, students, other state dependents and government employees.

A minimum wage would provide yet another pillar to this strong safety net. Based on a calculation of a minimum cost of living, and differentiated according to skill levels and difficulties in working conditions, this wage would be phased in over the 500 days as an obligatory floor for wages in all enterprises. Presumably enterprises that could not afford to hire at the minimum wage would go under.

The Shatalin Working Group claims that the joint effect of these price controls and indexation would be to ensure that living standards would first stabilize, and then rise. In real terms (that is, in terms of the goods the population can actually acquire) that may be true, but it is also clear from the few data provided in the report that prices would rise, possibly dramatically, relative to incomes, and therefore that *measured* real incomes would fall.[5]

For 1991 (the bulk of the last 400 days), the Shatalin Working Group outlines three possible scenarios for incomes

[5] "Measured" real incomes are nominal incomes (not adjusted for inflation) divided by prices. In an economy where prices are fixed and goods are scarce, incomes divided by prices do not measure actual living standards. If prices rise, and more goods become available, measured living standards will fall, while actual living standards rise.

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and prices. Under the two best scenarios (in terms of inflation), prices would rise 55 percent over the year, yet there is no mention of indexation in incomes, and measured real incomes are predicted to fall between 12–13 percent. It is only in the third scenario, under which inflation would notch up to 90 percent for the year (because asset sales would be going so slowly that excess demand would keep pressure on markets) that compensation would be paid. But it is only a partial payment, and real measured income in this scenario is forecast to fall by 25 percent over the year.

This decline in measured real income makes sense from the economic point of view, and is one strong point of the program that has received no public attention—for the plan's rhetoric has obscured it. Of course, from a political standpoint, it is understandable that the authors of the plan are not eager to advertise this particular feature.

Finally, during this second 150-day stage, the economy would rapidly begin to open trade with, and to receive investment from, the rest of the global economy. The ruble would be made convertible on the current account, and even (if the plan is to be believed) on the capital account. Its exchange rate would be determined in foreign exchange markets where 10–15 commercial banks would enjoy full rights to buy and sell foreign exchange. Since most foreign exchange would be in the hands either of republican and local authorities or of enterprises, the supply side of the market would rest on fairly broad foundations. On the demand side, because stringent monetary and budget policies are being counted on to keep down demand for foreign exchange, the plan foresees a fairly stable market in the range of five to eight rubles per dollar.[6] In addition, the Reserve System, which would oversee foreign exchange markets, could at times buy and sell foreign exchange in order to stabilize the exchange rate.

The general thrust of the new regulations in foreign economic relations would be to foster the rapid integration of the Soviet economy into the world economy, encouraging existing enterprises to export, and foreign enterprises to invest in the Soviet economy. But as long as price controls remain in effect for a significant group of products, and shortages remain,

[6] The recently devalued official rate is currently about two rubles to the dollar; the noncommercial (tourist) rate, about six rubles to the dollar; and the black-market rate, 15 rubles to the dollar and up.

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controls on exports, imports and direct foreign investment would be inevitable.

X

Stage Three, Days 250 through 400, should in many ways repeat the previous stage, the major difference being that months of tight money policy would begin to take a serious toll on business—leading to unemployment, especially in areas such as primary products, heavy machinery and construction. Price liberalization would accelerate during this period, as would the selling off of assets. By the end of this stage, the plan calls for the destatization or privatization of between thirty and forty percent of industry, of up to fifty percent of construction, and at least sixty percent of retail trade, food and services.

Unemployment would be the most important feature of this period, rising from an estimated six million on Day One (3.7 percent of the labor force), to eight million (4.8 percent) at the halfway point, to 11.6 million (seven percent) toward the end of the transition period. To cope with what for Soviet society would be a potentially traumatic rise in job insecurity and unemployment, the Shatalin Plan outlines a generous unemployment scheme in which enterprises must provide two to three months' notice to local authorities and workers before a layoff, and must pay one month's severance pay. The local employment office would then provide assistance to laid-off workers in finding further employment, and for the first 18 months of unemployment would provide benefits that could be something like the following: seventy percent of the last wage for the first three months; then sixty percent for the next three; and finally fifty percent for 12 months. If a worker still could find no job at the end of this 19 months of support, he or she would go on welfare.

All of these benefits would be financed and administered locally, but according to norms set at the republican level, and coordinated among all the republics. The plan forecasts that toward the end of the 500 days, unemployment benefits could amount to 2.7 billion-3.3 billion rubles per month, about 5–5.5 percent of budget expenditures for the republics and the center combined.

The plan forecasts the beginning of an economic boom during its last stage, the remaining 100 days. The stabilization should have been sufficient to wring out most of the excess

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demand, permitting the Reserve System to allow interest rates to fall, leading to a recovery in investment. The supply-side effects of the increasing competition among the various new entrants into the market should be filling the shelves with goods.

By Day 500, if all goes as planned, three-quarters of Soviet industry would be operating generally without subsidies, in a competitive environment, managed by bodies independent of any direct state supervision, or directly by private individuals. Eighty to ninety percent of construction, auto transport, trade, food and other services would be in mostly private hands. The bulk of retail prices would move freely in response to supply and demand, as would the interest and exchange rates.

In short, the Soviet Union would have a market economy. It would be rudimentary by standards of the United States or Western Europe, but it would work. Most important, institutions would be sufficiently in place to allow the further development over the following years of a truly complex and rich set of market institutions.

XI

It is easy to pick apart the 500-Day Plan on any number of grounds. Obviously the goals outlined here would take many multiples of 500 days to realize under even the best of circumstances. And the next few years in the U.S.S.R. will hardly constitute the best of circumstances.

The published quantitative analysis underlying the document is so sketchy that it is difficult even to judge how overly ambitious the plan is. To take just one example, the few tables published do not include any estimates of the course of economic activity over the 500 days, yet many of the most critical variables depend directly on that: the rate of unemployment, the level of subsidies and the size of government receipts, to name just three.

Moreover, the plan was so hastily assembled that it is riddled with inconsistencies and ambiguities, which would have to be reconciled before implementation began. For example, the nature of destatization remains ill defined, and the pace of privatization is not at all clear. Judging from recent East European experience, it would be a miracle if, over the course of a mere one and one-half years, the new Soviet government managed to reach the goals for destatization it has set for Day 500—seventy percent of industry, ninety percent of trade and

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construction, and so forth. And yet, falling short there means falling short on the targets for asset sales, which will allow excess demand to spill over into the markets for goods, leading to high inflation rates.

Furthermore, while the authors of the plan clearly understand the enormous importance of maintaining fiscal balance, in fact the plan hardly inspires confidence that this important goal will be met. It is fine to say, for example, that the Reserve System will refuse to lend to the union or republican banks. But is it realistic to suggest that the Reserve Bank will have the clout to refuse Yeltsin or his bank when they need short-term finance and the bond markets are not buying?

Nor does the plan leave much maneuvering room for politicians when the going gets tough. Yeltsin seemed to promise a virtually painless transition to a market. But come Stage Two, when inflation rates are in the range of five to eight percent a month, the pressure for full indexation will be enormous, and both Yeltsin and Gorbachev will have to be extraordinary politicians indeed to resist these enormous pressures, waiting patiently for tight money to squeeze inflation out of the system.

XII

The Presidential Plan approved on October 19 is, on the surface, an improvement over the Shatalin Plan, because it seems to make allowances for some of the latter's weaknesses. Although the Presidential Plan retains the four phases of the Shatalin Plan, it drops the numbers of days, and hence the explicit promise of lightning-fast results. Destatization and privatization are to proceed at a slower pace, which implies that "hot" money will remain so for some time. In light of that, the Presidential Plan foresees a longer period of controlled prices, in an effort to avoid a price explosion. Finally, the Presidential Plan extends the period over which subsidies will be withdrawn, so as to give enterprises more time to adjust.

These are a few examples in which the Presidential Plan weakens the Shatalin Plan in ways that it might have been changed anyway. One could argue, therefore, that the Presidential Plan is a politically pragmatic restatement of the Shatalin Plan, providing Gorbachev with much-needed room for maneuver. Following this reasoning, one could imagine that the next 500 days will go as well as Shatalin and his colleagues could hope, as Gorbachev uses his power of decree

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to establish the market system as quickly as it is feasible to do so.

However, to hope for such a felicitous outcome would be to ignore political realities in the U.S.S.R. today. The Soviet population is weary of a leadership seemingly helpless in the face of a deteriorating economy; republican leaders find it not only politically profitable but imperative to fight for their sovereignty in an attempt to abandon what appears to them to be a sinking ship.

The Shatalin Plan begins with an all-out effort to restore confidence in the union's leadership, first by reconstituting the union, then presumably by bringing new faces into government, and finally by using the first 100 days to do everything possible to prepare the population for the inevitable pain of the transition. In that situation Gorbachev would be issuing decrees on behalf of a new government that drew its legitimacy from its clear commitment to a new beginning, and from direct support of the union's constituent republics.

Unlike the Shatalin Plan, the Presidential Plan denies this political reality. It relies on the current government to implement new presidential decrees, which will hardly inspire confidence among a population convinced that it is this government that has brought the economy to a crisis. The Presidential Plan proposes to go ahead without the support of the republics, which guarantees conflict not only over particular decrees, but over the legitimacy of all presidential decrees.

All of this suggests that the next few months will be much like the last few: enormous confusion and contention while economic decline and political disintegration intensify. Enterprises will be ordered to fulfill plans (or state orders, as they are now called) and fined when they do not do so, but to no avail. The population, convinced that the leadership is giving them more of the same old policies, will increase its efforts to hoard, and inflation will accelerate. The government will offer to sell off or lease assets, but in the uncertain economic environment it will find few buyers. Republics and even cities will respond to the crisis by seeking to hold onto the scarce products they produce, increasing the fragmentation of the economy. As the economy deteriorates, the government will respond with more decrees. Within months attention will turn to the search for yet another plan.

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That plan will most likely be some version of the Shatalin Plan, or at least the framework that plan outlines. If the union is ever to be viable as an economic whole, it will only be after the republics have voluntarily joined to form a new entity, governed by a center enjoying the support of the republics and their populations. The Shatalin Plan, for all its failings, seems like the most plausible strategy for transforming the U.S.S.R.

Even the Shatalin Plan, however, may prove to be unworkable, at least in the near term. That plan is a valiant effort to reconstruct the union virtually out of whole cloth, on the basis of economic interests, rather than fear. But years of suppressed anger over nationality issues, combined with the natural instinct of each republic and city to protect itself against the chaos of the system as a whole, may give such force to separatism that there remains little support for even a loose economic union. That is not likely to be the long-term outcome; years of central planning have bound the union republics together in intricate ways that they are only now discovering. They will need each other's markets if they are to prosper. But it could require some time for that logic to overcome the bitter legacy of seventy years of Soviet socialism.

For now, there is not a great deal the West can do except to stand ready with whatever technical expertise might be useful in devising a strategy. Should some version of the Shatalin Plan—more carefully prepared and more thoroughly documented—eventually be adopted as policy, then loans and even aid would be in order to support the process, providing a much-needed boost at the beginning by expanding the supply of consumer goods, thereby reducing the tendency toward hyperinflation. But financial aid of any magnitude will only be justified when, and if, a consensus emerges within the U.S.S.R. around a plan that makes sense. Until that occurs, no amount of Western goodwill or aid will set things right.

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George F. Kennan

COMMUNISM IN RUSSIAN HISTORY

Russia was for many centuries separated, geographically and politically, from the development of Western civilization and culture, and thus came late into what, for most of Europe, would be called the modern age.[1] But the eighteenth and nineteenth centuries, witnessing as they did an extensive overcoming of these earlier barriers, permitted a very considerable progress in the modernization of Russian society. By the time the country was overtaken by the First World War, its situation was not entirely discouraging. Industrialization was proceeding at a level only two or three decades behind that of the United States. There was under implementation a program of education reform which, if allowed to continue unimpeded, would have assured total literacy within another two decades. And the first really promising program for the modernization of Russian agriculture (the so-called Stolypin reforms), while by no means yet completed, was proceeding steadily and with good chances for ultimate success.

These achievements, of course, had not been reached without conflicts and setbacks. Nor were they, alone, all that was needed. Still to be overcome as the war interceded were many archaic features in the system of government, among them the absolutism of the crown, the absence of any proper parliamentary institutions and the inordinate powers of the secret police. Still to be overcome, too, was the problem of the non-Russian nationalities within the Russian Empire. This empire, like other multinational and multilingual political constellations, was rapidly becoming an anachronism; the maintenance of it was beginning to come under considerable pressure.

[1] My reflections have been stimulated by Professor Robert C. Tucker's new study of the crucial and formative years of the Stalin dictatorship (*Stalin in Power: The Revolution From Above, 1928–1941*, W. W. Norton, 1990). For anyone who, like the writer, lived in Moscow through parts of the period he describes, Tucker's account was bound to stir many reflections about the place of those terrible years, and indeed of the entire communist epoch now coming to an end, in the historical development of the Russian state. Some of these reflections find expression in the present article.

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But none of these problems required a bloody revolution for their solution. The removal of the autocracy was, after all, destined to be achieved relatively bloodlessly, and the foundations of a proper parliamentary system laid, in the first months of 1917. And there was no reason to despair of the possibility that Russia, if allowed to develop without war or violent revolution, might still encompass a successful and reasonably peaceful advance into the modern age. It was, however, just this situation, and just these expectations, that were to be shattered by the events of the final months in that fateful year of 1917.

II

The Russian oppositional movement of the last half of the nineteenth century and the first years of the twentieth had always included extreme radical factions that did not want reform to proceed gradually, peacefully and successfully. They wanted nothing less than the immediate and total destruction of tsarist power and of the social order in which it operated. The fact that their own ideas of what might follow upon that destruction were vague, unformed and largely utopian was not allowed to moderate the violence of their intentions. Participating, though in quite different ways, in both of the major revolutionary parties, the Socialist Revolutionaries and the Social Democrats (out of whom the Communists emerged), these factions found themselves, in their bitter opposition to gradual reform, in a state of limited and involuntary alliance with the most radical reactionary circles at the conservative end of the political spectrum. After all, these latter also did not want to see change proceed gradually and peacefully, for they did not want it to occur at all. So it was not by accident that the ideas and aims of both extremist elements were to find a common expression, as Robert C. Tucker has so persuasively pointed out in his recent work, in the Stalin of the future.

Up to the outbreak of war, to 1917 in fact, the leftist extremists had met with very limited success. In the final prewar years they had actually been losing political position and support. What changed all this, and gave them opportunities few of them had ever expected, was Russia's involvement in the war, and particularly the ill-considered attempt by the provisional government to continue the war effort into the summer of 1917, in the face of the epochal internal political crisis already brought about by the recent fall of the monarchy.

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It had been a folly, of course, for Russia to involve itself a decade earlier in 1904–05 in the war against Japan. This alone had brought the country to the very brink of revolution. It was a greater folly (and this might have been clear, one would think, to Russian statesmen at the time) to involve Russia in the far larger strains of participation in a great European war. The war was, of course, not the only cause of the breakdown of the tsarist system in 1917; it may be fairly said, however, that without Russia's involvement in the war that breakdown would not have come when it did or taken the forms that it did, and that anything like a seizure of power by the Bolshevist faction would have been improbable in the extreme. Seen in this way, the establishment of communist power in Russia in November 1917 has to be regarded as only one part of the immense tragedy that World War I spelled for most of European civilization. But the consequences of the Russian Revolution were destined long to outlive the other immediate effects of the war and to complicate the world situation over most of the remainder of the century.

By mid-1917 in any case, the die was cast for Russia. The stresses of the first two and a half years of war, together with those of the earlier months of that year—the exhaustion of army and society, the sudden collapse of the tsarist police force, and the program of land reform that lent itself so easily to demagogic exploitation—made possible the successful seizure of power, first in the major cities, then throughout the country, by Lenin and his associates. Thus the straitjacket of communist dictatorship—the restraint under which it was destined to writhe throughout the life span not only of the generation then alive but of its children and grandchildren as well—was fastened upon an unprepared and bewildered Russian society.

One hesitates to summarize what this development was to mean for Russia. No summary could be other than inadequate. But the effort must be made, for without it the communist epoch now coming to an end cannot be seen in historical perspective.

Let us start with what happened to most of the educated and culturally important elements of the Russian society of that time. The Leninist regime, in the initial years of Soviet power, succeeded in physically destroying or driving out of the country the greater part—most of an entire generation, in fact—of what would have been called, in the Marxist vocabu-

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lary of that day, the "bourgeois" intelligentsia. Stalin later completed the process by doing the same to most of the Marxist intelligentsia that remained. Thus Lenin and Stalin contrived, between the two of them, to eliminate a very large portion of the rather formidable cultural community that had come into being in the final decades of tsardom. And with this loss there went, more important still, the loss of much of the very cultural continuity of which this generation was an indispensable part. It would never thereafter be possible to reunite fully the two frayed ends of this great chain of national development, now so brutally severed.

Not content with these heavy blows to the country's intellectual and cultural substance, Stalin, as soon as his power was consolidated in 1928, turned to the peasantry and proceeded to inflict upon this great portion of the population (some 80 percent at that time) an even more terrible injury. In the Stolypin reforms, emphasis had wisely been placed on the support and encouragement of the most competent and successful segment of the farming population. Stalin, in his sweeping campaign of collectivization launched in 1929, did *exactly the opposite. He set out to eliminate precisely this* element (now referred to by the pejorative Russian term of "kulaks"), to eliminate it by ruthless confiscation of what little property most of its members possessed, by deportation of a high proportion of those and other peasant families, and by the punishment—in many cases the execution—of those who resisted.

The results were simply calamitous. They included a major famine in certain key agricultural regions of the country and the loss, within a short time, of some two-thirds of the country's livestock. Through these cruel and ill-considered measures, a blow was dealt to Russian agriculture that set it back by decades, and from which it has not fully recovered to the present day.

The collectivization campaign roughly coincided in time with the First Five Year Plan, the announcement of which in 1928–29 made so deep and so favorable an impression upon many well-meaning people in the West. Actually, the plan as announced, and later the claimed statistics on its completion, masked a ruthless and reckless program of military industrialization. This program did indeed provide certain basic components of a great military industry, but did so in an extremely hasty and wasteful manner, at vast expense in

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human deprivation and suffering, and with reckless abuse of the natural environment. Despite limited improvements in later years, these same features were destined to mark much of Soviet industrialization down through the ensuing decades.

It was on the heels of these early Stalinist efforts at revolutionizing the Soviet economy that there was then unleashed upon Soviet society that terrible and almost incomprehensible series of events known historically as "the purges." Beginning with an obvious effort on Stalin's part to remove from office and destroy all those remnants from the Lenin leadership in whom he suspected even the slightest traces of resistance to his personal rule, these initial efforts, savage enough in themselves, soon grew into a massive wave of reprisals against a great portion of those who at that time were taking any part in the governing of the country or who enjoyed any prominence as members of the cultural intelligentsia. So terrible were these measures, so arbitrary, indiscriminate and unpredictable was their application, that they culminated, in the years 1937 and 1938, in a deliberately induced mass frenzy of denunciation—a frenzy overcoming millions of innocent but frightened people who had been encouraged to see in the reckless denunciation of others, even others they knew to be as guiltless as themselves, the only possible assurance of their own immunity to arrest and punishment. In the course of this hysteria, friend was set against friend, neighbor against neighbor, colleague against colleague, brother against brother, and child against parent, until most of Soviet society was reduced to a quivering mass of terror and panic. In this way a very considerable proportion of the administrative and cultural elite of the Soviet Union—tens of thousands upon tens of thousands of them—were induced to destroy each other for the edification, perhaps even the enjoyment, of a single leader, and this, while lending themselves to the most extravagant demonstrations of admiration for and devotion to this same man. One searches the annals of modern civilization in vain for anything approaching, in cynicism if not in heartlessness, this appalling spectacle.

So preposterous, so bizarre, so monstrously destructive, and so lacking in any conceivable necessity or advantage to anyone at all were these measures that it is impossible to imagine any rational explanation for them, even from the standpoint of the most fearful, jealous and suspicious of tyrants. What, in these circumstances, explained Stalin's motives in launching and

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directing them? And how was it possible that an entire society could submit passively to so dreadful an abuse of its social intactness and moral integrity? These are crucial questions.[2]

Suffice it to say that when Stalin finally perceived that things had gone too far, when he realized that even his own interests were being endangered and finally began to take measures to dampen the terror and the slaughter, several million people were already either languishing or dying in the labor camps, and a further number, sometimes estimated in the neighborhood of a million, had been executed or had died of mistreatment. To which tragic count must be added those further millions who had themselves escaped persecution but who cared about the immediate victims—their parents, lovers, children or friends, and for whom much of the meaning of life went out with the knowledge, or the suspicion, of the sufferings of the latter. Bereavement, in short, had taken its toll on enthusiasm for life. Fear and uncertainty had shattered nerves, hopes and inner security.

III

It was, then, on a shaken, badly depleted, socially and spiritually weakened Russian people that there fell, in the first years of the 1940s, the even greater strains of the Second World War. Russia, to be sure, did not become formally involved in that war as such until June 1941. But the interval had been in part taken up with the war with Finland, which alone had caused some hundreds of thousands of Russian casualties. And what was then to follow, after the German attack, was horror on a scale that put into shade all the sufferings of the previous decades: the sweeping destruction of physical installations—dwellings, other buildings, railways, everything—in great parts of European Russia, and a loss of life the exact amount of which is not easy to determine but which must have run to close to thirty million souls. It is virtually impossible to envisage, behind these bare words and figures, the enormity of the suffering involved.

It will of course be observed that, if the tragedies of the 1920s and 1930s were brought to Russia by its own communist regime, the same cannot be said of those of the 1940s. These

[2] Insofar as the historical evidences provide answers, Tucker has given them in his book, and they richly deserve reading. But they are extraneous to this bare listing of the misfortunes endured by the Soviet peoples under communist rule.

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were the doing of Hitler; Stalin had actually gone to great lengths to appease Hitler with a view to diverting the attack; it was not his fault that he did not succeed.

There is much truth in this statement. Nothing can diminish Hitler's responsibility for bringing on what the Soviets have subsequently referred to (ignoring most of the other theaters of operation in World War II) as the Great Patriotic War. But it was not the whole truth. Stalin himself heightened in many ways the horrors of the struggle: by the cynicism of his deal with Hitler in 1939; by the subsequent treatment of Russians who had become prisoners of war in Germany; by his similar treatment of those civilians who had found themselves on territory that fell under German control; by the brutal deportation of entire subordinate nationalities suspected of harboring sympathies for the German invader; by the excesses of his own police in the occupied areas, of which even the appalling Katyn massacre of Polish officers was only a small part; and by the liberties allowed to his own soldiery as they made their entry into Europe. More important still, one will never know what might have been the collaboration in the prewar years between Russia and the Western powers in the confrontation with Hitler, had the regime with which those powers were faced on the Russian side been a normal, friendly and open one. Instead, to many in Europe, the Soviet state looked little if any more reliable and reassuring as a partner than did the Nazi regime. Let us, however, leave such speculations aside and proceed with our recitation of the miseries that overtook the Russian people in these seven decades of communist power.

It was an even more weary, even more decimated and ravaged Russian people that survived the trials and sacrifices of the war. And their miseries, as it turned out, were not yet at an end.

War against a hated enemy had aroused elementary nationalistic feelings among the Russian people. So long as hostilities were in progress, Stalin had wisely (if presumably cynically) associated himself with those feelings. The people and regime had thus, as it seemed, been brought together in the common effort of resistance to the Nazi invasion. And this had produced new expectations. Not unnaturally, there was hope in all quarters, as the war neared its end, that victory would be followed by a change in the habits and methods of the regime—a change that would make possible something resem-

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bling a normal relationship between ruler and ruled, and would open up new possibilities for self-expression, cultural and political, on the part of a people long deprived of any at all.

But Stalin soon made it clear that this was not to be. Government would continue as it had before. There would be no concessions to the Soviet consumer; there would only be more of the same ruthless effort of military industrialization, the same suppression of living standards, the same familiar yoke of secret police control. Seldom, surely, has a more bitter disillusionment been brought to an entire people than this callous indifference on Stalin's part to the needs of a sorely tried population just emerging from the sufferings of a great and terrible war.

This, however, was the way things were to be. And the final years of Stalin's life, from 1945 to 1953, wore their way much as the final prewar years had done: the same tired litanies of the propaganda machine; the same secrecy and mystification about the doings of the Kremlin; the same material discomforts; and the same exactions of a police regime the ferocity of which seemed, if anything, to be heightened as an aging Stalin became increasingly aware of his dependence upon it for his personal security and for the preservation of his own power.

Even Stalin's death, in 1953, brought about no sudden or drastic change in the situation. Stalinism, as a governing system, was by now far too deeply planted in Russian life to be removed or basically changed in any short space of time. There was no organized alternative to it, and no organized opposition. It took four more years before Khrushchev and his associates succeeded in removing from power even those in the leadership who had been most closely associated with Stalin in the worst excesses of his rule and who would have preferred to carry on in much the same manner.

But Khrushchev himself did not last very long thereafter, and in the ensuing years, down to the mid-1980s, the country was ruled by a number of mediocre men (Yuri Andropov, Mikhail Gorbachev's patron, was an exception). While they had no taste for the pathological excesses of Stalinist rule (which, as they correctly saw, had endangered everyone, themselves included), these men were heirs to the system that had made these excesses possible, and they saw no reason to change it. It represented, in their eyes, the only conceivable legitimation of their power and the only apparent assurance

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of its continuation. It was all they had and all they knew. The sort of systemic changes Gorbachev would eventually endeavor to bring about would have surpassed the reaches of their imaginations. And after all, from their standpoint, the system appeared to work.

But it did not, of course, work very well. The Soviet system involved the continuing necessity of suppressing a restless younger intelligentsia, increasingly open to the influences of the outside world in an age of electronic communication, and increasingly resentful of the remaining limitations on its ability to travel and to express itself. Beyond that, it rested upon an economy that, just at the time when the remainder of the industrialized world was recovering from the war and moving into the economic revolution of the computer age, was continuing to live in many respects in the conceptual and technological world of the nineteenth century, and was consequently becoming, on the international scene, increasingly uncompetitive.

Finally, the ideology as inherited from Lenin was no longer really there to support this system. It remained as a lifeless orthodoxy, and Soviet leaders would continue on all ceremonial occasions to take recourse to its rituals and vocabulary. But it had been killed in the hearts of the people: killed by the great abuses of earlier decades, killed by the circumstances of the great war for which Marxist doctrine offered no explanations, killed by the great disillusionment that followed that war.

It began to become evident, in short, in those years of the 1970s and early 1980s that time was running out on all that was left of the great structure of power Lenin and Stalin had created. Still able to command a feigned and reluctant obedience, it had lost all capacity to inspire and was no longer able to confront creatively the challenge of its own future. The first leader to perceive this, to read its implications and to give a dying system the *coup de grace* it deserved, was Gorbachev.

One cannot end this review of the blows suffered by Russian society at the hands of its own rulers over the decades of communist power without being aware of the danger of a certain Manichaean extremism in the judging of those rulers and of those who tried faithfully to follow them. Not all that went by the name of communism in Russia was bad; nor were all of those who believed in it. And to recognize the tragic consequences of its exercise of power is not to question the

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intellectual seriousness or the legitimacy or the idealism of the world socialist movement out of which, initially, communism arose. One's heart can go out, in fact, to those many well-meaning people in Russia and elsewhere who placed their faith and their enthusiasm in what they viewed as socialism and who saw in it a way of bringing Russia into the modern age without incurring what they had been taught to see as the dark side of Western capitalism. It is important to recognize that Russian communism was a tragedy not just in its relations to others, but also a tragedy within itself, on its own terms.

But it is impossible, in the view of this writer, to review the history of communism-in-power in Russia without recognizing that the left-extremist wing of the Russian revolutionary movement, as it seized power in 1917 and exercised it for so many years, was the captive of certain profound and dangerous misconceptions of a political-philosophical nature, revolving around the relationships between means and ends, between personal and collective morality, between moderation and unrestrained extremism in the exercise of political power—misconceptions that were destined to have the most dire effects on the nature of the authority it was assuming to itself. It was the Russian people who had to pay the price for these misconceptions, in the form of some of the most terrible passages in their nation's long and tortured history. Seen in this way, the October Revolution of 1917 cannot be viewed otherwise than as a calamity of epochal dimensions for the peoples upon whom it was imposed.

IV

And what of the future?

It is not easy, in any discussion of Russia's future, to avoid preoccupation with the distressing and dangerous state of disarray that prevails in that country today, and to distinguish the short-term aspects of this situation from those causal features that may be expected to have determining significance in the longer future.

The postcommunist Russia we now have before us finds itself not only confronted with, but heavily involved in, the Herculean effort to carry out three fundamental changes in the national life of the country.

The first of these changes is the shift of the vital center of political power from the Communist Party, which has had a monopoly on power for so many years, to an elected and

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basically democratic governmental structure. The second is the shift of the economy from the highly centralized and authoritarian administrative basis that has governed it since the 1920s to a decentralized free-enterprise system. The third is the decentralization of the structure of interrelationships among the various national components, originally of the tsarist empire and more recently of the Soviet Union, that has generally prevailed over the last three centuries.

These three changes, if successfully implemented, would represent in many respects an alteration of the life of the Russian state more fundamental than that which the communists endeavored to introduce into Russian life in 1917—more fundamental, because whereas the communists' changes purported, rather vaingloriously, to deny, ignore and consign to oblivion the Russian past, the present efforts at change are linked, consciously or otherwise, to that past, and reflect an inclination not only to respect but in part to resume the struggles for modernization that marked the final decades of tsardom. If successfully carried through, these changes would constitute the greatest watershed in Russian life since the Petrine reforms of the early 18th century.

What are the chances for success in this momentous effort? Many factors would have to enter into any adequate answer to that question; they cannot all be treated here. But certain outstanding ones may well deserve attention in this context.

First, in estimating the chances for success of the first two of these efforts at change—the basic reforms of the political and economic systems—one has to take account of the enduring effects of seven decades of communist power. One is obliged to note that, when it comes to the bulk of the population, the state of preparedness to meet these challenges is smaller than it probably would have been in 1917. It is sad to reflect that among the many other disservices that the Soviet regime did to traditional Russia, not the least was the fact that it left, as it departed, a people so poorly qualified to displace it with anything better.

It would be easy to regard the communist decades as a tragic seventy-year interruption in the normal progress of a great country and to assume that, the interruption now being over, the country could pick up where things left off in 1917 and proceed as though the interruption had never occurred. The temptation to view things that way is heightened by the evidence that many of the problems the country now faces, as

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the heavy communist hand withdraws, represent the unfinished business of 1917, existing much as it then did because so little of it was, in the interval, sensibly and effectively addressed.

But things are not quite like that. The people we now have before us in Russia are not those who experienced the events of 1917; they are the children and grandchildren of the people of that time—of those of them, at least, who survived enough of the horrors of the ensuing years to leave progeny at all. And these children and grandchildren are divided from their parents and grandparents by something more than just the normal generational change. The intervening events, primarily Stalinism and the carnage of the wartime battlefields, were decisive, each in its own way, in their legacy for future generations. Certain people were more likely than others to survive them; it is to these latter that the next generation was born. We have already noted the decimation of much of the prerevolutionary Russian intelligentsia in the early years of communist power. This has had its effects; of those who saw something of Russia before that decimation was completed, this writer surely is not alone in noting a certain comparative brutalization in the faces one now encounters on the Moscow streets—a result, no doubt, of long exposure to not only the exactions of a pitiless dictatorship but also the ferocious petty frictions of daily life in a shortage economy.

Nor may we ignore the social effects of all these upheavals. Political persecution and war left tragic gaps in the male parental population, particularly in the villages. Family structure was deeply destabilized, and with its stability there were forfeited those sources of inner personal security that only the family can provide. As so often before in the more violent passages of Russian history, it has been the broad and long-suffering back of the Russian woman, capable of bearing a great deal but also not without its limits, on which an inordinate share of the burdens of the maintenance of civilization has come to rest. The effects are painfully visible in a whole series of phenomena of that woman's life: the weariness, the cynicism, the multitudinous abortions, the fatherless families.

Particularly distressing is the fact that so many of the present younger generation have very little idea of what has happened to Russia in these past decades, of why it happened, or of its effects. With the lives of the tens of millions who perished in the earlier vicissitudes went also their memories and the

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lessons learned from the events of those times. This younger generation has been thrust with little parental guidance and almost no historical memory into a world whose origins it does not know or comprehend.

It was inevitable that this state of affairs should have had its effects on intellectual outlooks. It is true that a larger part of the population than was the case at the time of the revolution has now received at least a grade school education and some technological training. But on the philosophical, intellectual and economic sides the picture is a disturbing one.

The governmental structure to which the center of gravity of political power is now being transferred from what was formerly the party's political monopoly may adequately serve as the outward framework for a new and democratic form of political life, but only that. It will have to be filled in at many points with an entirely new body of methods, habits and—eventually—traditions of self-rule. For this, the minds of the younger generation are poorly prepared. It is not too much to say that there was much more real understanding for the principles and necessities of democratic rule—for the compromises, the restraints, the patience and the tolerance it demands—in the Russia of 1910 than is the case today.

And the same applies when it comes to an understanding of economic realities. Seven decades of relentless suppression of every form of private initiative or spontaneity have left a people trained to regard themselves as the helpless and passive wards of the state. Seven decades of economic hardship and low living standards have largely destroyed good-neighborly relations, and have produced an atmosphere in which a great many people peer spitefully and jealously every day over the backyard fence to assure themselves that their neighbors have not contrived to get something they themselves do not possess, and, if the neighbors have done so, to denounce them. All this has encouraged the prevalence of a sweeping and exaggerated egalitarianism, under the influence of which it is sometimes held to be better that all should continue to live in a state of semi-poverty and abject dependence upon centralized power than that any should be permitted to take the lead, by their own effort and initiative, in elevating themselves even temporarily over the living standards of others.

Faced with such attitudes it will not be easy to make quick progress in the systemic changes Gorbachev and others are trying to bring about. These are not the only handicaps of this

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sort, but they will perhaps prove the most recalcitrant and long-lasting. For what will be required for their correction will be a long and persistent educational effort—an effort for which, in many instances, a new generation of teachers will have to be provided, and one that will presumably have to proceed in the face of much instability in Russian life.

If the full seriousness of the problem is recognized and taken into account, and if the requisite patience and persistence can be mustered, there is no reason to preclude the possibility of eventual success. But the effort cannot be other than a long one; until it is completed, the prejudices and the forms of ignorance just described will continue to lie heavily across the path of Gorbachev's efforts at reform.

We come now to the third of the great elements in the process of change in which Russia is now involved: the readjustment of the interrelationships among the various national and ethnic elements that have heretofore made up the tsarist/Soviet state.

This readjustment is inevitable. The complete maintenance in any of its former forms of the multinational and multilingual empire of past decades and centuries is incompatible with the powerful force of modern nationalism. Most of the other empires of this nature have already been compelled to yield to that force. Russia, too, had begun to yield to it in 1917; but here, too, the process was interrupted and long postponed by the establishment of communist power. Now the demand for it has reasserted itself with redoubled vigor, and not all of it, surely, is to be withstood. But this is a highly complex and even dangerous problem, which even the benevolently inclined outsider should approach only with greatest circumspection.

That the three Baltic states deserve their independence, and will eventually have it, seems beyond question. There are others that are demanding sovereign status but in whom the requisite experience and maturity of leadership, as well as other essential resources, have yet to be demonstrated. There are still other non-Russian entities where the demand for independence has not even been seriously raised and where the ability to bear the strains and responsibilities of an independent status is even more questionable. There is, in short, no uniformity in the needs and the qualifications that the respective Soviet peoples bring to any far-reaching alteration in their relationship to the Russian center. And no single model, not even one from the outside world, could possibly

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provide a useful response to all the problems such an alteration would present.

Very special, highly intricate, and full of dangerous pitfalls are those problems that present themselves in the case of the relationship between the Ukraine and Russia proper. Many Ukrainians can and do offer compelling reasons why their country should have at least a greatly changed if not fully independent status in the new era. But Ukrainians do not always speak with one voice. Some speak with a Polish voice, some with a Russian, and some with a more purely Ukrainian one. It will not be easy for them all to agree on how a future Ukraine is to be independently governed, or indeed, even on what its borders should be. To which must be added the fact that so extensive is the interweaving of the Russian and Ukrainian economies that any significant detachment of the two governments would have to be accompanied by the widest possible arrangements for freedom of commercial and financial exchanges between them, if confusion and even hardship were to be avoided.

Pregnant with problems of equal, if not greater, gravity are the demands for a virtual independence on the part of the Russian center that now embraces nearly half of the population, and an even larger proportion of the material resources, of the Soviet Union. These demands, too, are not lacking in serious foundation. Russian national feeling, while not without weaknesses and distortions (notably in the tendencies towards xenophobia and intolerance), is deeply rooted in the culture, the religion and the traditions of the Russian people. No less than the similar feelings of the other national parts of the Soviet Union do they deserve recognition and consideration. To which must be added the fact that the recent discussion within Russia proper of the separate future of that part of the country has been marked, notwithstanding all the handicaps noted above in this article, by an encouraging level of seriousness and responsibility.

But here, very serious complications present themselves. For were the process of designing an independent future for the Russian people alone to go too far, this would place in question the very *raison d'être* for any supranational center such as the Soviet government now presents. Were the Russians, in other words, to establish a separate sovereignty, or even a far-reaching degree of national independence, this, coming together with the similar detachment of other nationalities of the

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present Soviet Union, would raise the question as to whether enough would be left of the traditional tsarist/Soviet empire to justify any great coordinating center at all.

The relationships that have existed between the many non-Russian parts of this traditional multinational structure and the Russian center have deep historical roots. Few would be prepared for the situation that would develop if all these ties were to be abruptly severed. The economic confusion would be enormous. Worse still is the growing evidence that certain of these non-Russian entities, if left suddenly to themselves, would either make war against each other or become subject to highly destructive civil conflicts within their own confines. Finally, there is the very serious problem that would be created by the fragmentation of responsibility for the nuclear weaponry now in Soviet hands.

Beyond this, there is the need of this entire region for a single voice—a mature and experienced voice—in world affairs. The importance of this problem is apparent in the commanding figure and present position of Gorbachev, a statesman of world stature and competence, without whose service as a spokesman for peoples of this entire area all would be impoverished. It is hard to think of any of the aspirants for independence who, trying to "go it alone," could be as useful to world peace, or even to themselves, as this one common and enlightened voice in world affairs could be to all of them. The preservation of the Soviet government as a coordinating center will demand, most certainly, a far higher level of input on the part of these other entities into the development of a common foreign policy than they have enjoyed in the past, but to forfeit the advantages of this arrangement would be, for most if not all of them, to lose more than they would gain.

Of greatest importance in this connection would be the effect on international life of any complete breakup of the Russian/Soviet state. The abandonment of any general political center for the peoples of the region would mean the removal from the international scene of one of those great powers whose interrelationships, with all their ups and downs, have constituted a central feature of the structure of international life for most of this century. Experience has shown (not least in the sudden breakup of the Austro-Hungarian Empire in 1918–19) that any major change in the composition of the international community, although perhaps unavoidable or even desirable over the long term, is pregnant with possibilities

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for unpredictable complications and for grave dangers if it takes place too abruptly and without careful preparation.

It is clear, then, that no satisfactory solution to these problems will be found at either of the extremes of contemporary opinion in the Soviet Union—neither at that of total independence for everyone nor at that of a total preservation of the sort of subordination to a single central political authority that its component national entities have known in the past. Compromises will have to be found, restraint and patience will have to be observed on all sides.

All this would suggest the necessity for some sort of a federated interrelationship among those of the present components of the Soviet Union that are not to become entirely independent. This would have to be a highly flexible arrangement, and probably a looser one than that which Gorbachev now envisages. But the total absence of such ties would present dangers of great gravity for Russia itself, for the other Soviet nationalities and for the peace of surrounding regions.

V

Let the following stand, then, as a summary of the considerations set forth above.

What is now emerging on the territory traditionally known as Russia will not be—cannot be—the Russia of the tsars. Nor can it be the Russia of the communists. It can only be something essentially new, the contours of which are still, for us and for the Russians themselves, obscure.

The tasks to be encompassed are immense. A workable system of humane representative government—something of which Russian history provides only the most rudimentary experience—will have to be devised and rendered acceptable to a people among whom the principle of reasonable compromise, essential to its success, is largely foreign. A new economic system, compatible with Russian traditions but not limited by them, will have to be devised; and an essential feature of this new system will have to be a wholly new organization of the agricultural process for which, in the main, there will be no precedent in Russian experience. And, finally, the immensely complex and dangerous process of political and institutional decentralization of the traditional Russian state will have to be in some way managed.

For the meeting of these demands the Russian people are

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today poorly prepared. The events of this century have, as we have seen, taken a terrible toll on their social and spiritual resources. Their own history has pathetically little to tell them. A great deal will have to be started from scratch. The road will be long, rough and perilous.

How can we best relate to a people that finds itself in such straits, confronted with such tremendous and difficult tasks? The lingering tendencies in this country to see Russia as a great and dangerous enemy are simply silly, and should have no place in our thinking. We have never been at war with Russia, should never need to be, and must not be. As Gorbachev has often pointed out, we live in an age when other people's problems are essentially our own. This is the way we must come to view Russia's.

The Russians will need help from wherever they can get it. Some of that help, in our case, may from time to time take the form of economic assistance; but this will be of minor importance. The greatest help we can give will be of two kinds: understanding and example.

The *example* will of course depend upon the quality of our own civilization. It is our responsibility to assure that this quality is such as to be useful in this respect. We must ask ourselves what sort of example is going to be set for Russia by a country that finds itself unable to solve such problems as drugs, crime, decay of the inner cities, declining educational levels, a crumbling material substructure, and a deteriorating environment.

The *understanding*, on the other hand, will have to include the recognition that this is in many ways a hard and low moment in the historical development of the Russian people. They are just in process of recovery from all the heartrending reverses that this brutal century has brought to them. They are not, seen in the historical dimension, entirely themselves. We should bear this in mind. We, too, may someday have our low moments. And while we should beware of our American tendency to idealize those foreign peoples whom we consider to be particularly unfortunate, there is no reason why an understanding American attitude towards Russia at this juncture in its history should not include a reasonable measure of compassion.

Beyond this, while we speak of understanding, we can try to bear in mind that along with all the dark aspects of their development, the Russians have shown themselves historically

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to be a great people—a people of many talents, capable of rendering significant contributions, spiritual, intellectual and aesthetic, to the development of world civilization. They have made such contributions at times in the past. They have the potentiality for doing it again—in a better future.

The obligation to respect and cherish that potentiality is primarily their own. But in another sense it is ours as well. Let us accept that responsibility, and meet it thoughtfully, imaginatively and creatively wherever we can.

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

Andrew J. Pierre

THE LAW OF NATIONS. By Daniel Patrick Moynihan. Cambridge (MA): Harvard University Press, 1990, 221 pp. $22.50.

"What happened?" the refreshingly unconventional senator from New York plaintively asks. "How did a subject—international law—once so central to our thinking about world affairs become surprisingly so peripheral?" In his erudite and lively retracing of the role of international law in American history, Moynihan sees American presidents as generally adhering to its principles and nurturing its development; Woodrow Wilson gets especially high marks. But the postwar rise of national security concerns, particularly as implemented in the 1980s, produced leaders who were either ignorant or contemptuous of international law. He cites Grenada, the mining of Nicaraguan harbors, the Iran-contra affair, Panama and, most egregious, the 1985 withdrawal from the compulsory jurisdiction of the International Court of Justice. Moynihan makes an impressive and persuasive plea for reversing America's present drift away from long-established concern for international legal norms, which has occurred just as the Soviet Union is starting to take international law and organizations seriously.

THE GLOBALIZATION OF POLITICS: THE CHANGED FOCUS OF POLITICAL ACTION IN THE MODERN WORLD. By Evan Luard. New York: New York University Press, 1990, 195 pp. $35.00.

The welfare of individuals, the author contends, no longer depends on the actions of their own governments but on international bodies taking action collectively. This thesis is developed by examining the role of a wide range of institutions, from the IMF and World Bank to the U.N. Commission on Human Rights, which deal with such fundamentals as the environment, redistribution of wealth, security and human rights. In his carefully reasoned analysis, Luard pushes the concept of "globalization" to its outer limits, concentrating on his vision of the future more than the present situation in which states still cling to their sovereignty. Realism comes through in the discussion of the need to move away from "one state equals one vote" in some international organizations toward a system of weighted voting, if these institutions are to become more effective.

SUPERPOWER POLITICS: CHANGE IN THE UNITED STATES AND THE SOVIET UNION. Edited by Michael Pugh and Phil Williams. Manchester: Manchester University Press, 1990, 280 pp. (New York: St. Martin's, distributor, $59.95; paper, $12.95.)

For anyone in search of an informed review of Soviet-American relations of the past several years, and the internal changes within the two nations that influenced their foreign and defense policies, this short

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volume by a series of experts is excellent. The transition in Washington from the policies of Ronald Reagan to those of George Bush is exceptionally well handled. Yet so much has occurred in just the past six months that one is only too aware of the difficulties of publishing at a time when history has accelerated. In this case, for example, the enormous significance of the disintegration of the Soviet Union and the devolution of power toward the republics could not be adequately dealt with.

GLOBAL COMMUNICATIONS AND POLITICAL POWER. By Donald Wilhelm. New Brunswick (NJ): Transaction, 1990, 172 pp.

This is a somewhat rambling discourse on the impact of communication satellites and foreign broadcasting on public awareness of international issues. The most interesting sections deal with the politically educational role that television has recently had within the Soviet Union. Glasnost has enabled the 150 million Soviet television viewers to learn a great deal about their own system and to watch and participate in a revolution in progress.

ORIGINS OF TERRORISM. Edited by Walter Reich. Washington: Woodrow Wilson Center/New York: Cambridge University Press, 1990, 289 pp. $44.50 (paper, $13.95).

As observed by Martha Crenshaw, author of two of the chapters in this compendium volume, "It is difficult to understand terrorism without psychological theory, because explaining terrorism must begin with analyzing the intentions of the terrorist actor and the emotional reactions of audiences." This book, jointly sponsored by the Woodrow Wilson Center and the National Institute of Mental Health, explores with skill and depth the motivations and psychologies of terrorism through the collaboration of political scientists and historians, behavioral scientists and policymakers. Gary Sick contributes a fine chapter on the impact of the Iranian hostage crisis on President Carter, and there are chapters on terrorism in Germany, Italy and other nations.

General: Military, Technological and Scientific

Gregory F. Treverton

CONTROLLING THE SWORD: THE DEMOCRATIC GOVERNANCE OF NATIONAL SECURITY. By Bruce Russett. Cambridge (MA): Harvard University Press, 1990, 201 pp. $22.50.

The revolutions of 1989 finished off a proposition that had been losing favor since the 1960s: that autocracy protects national security better than democracy. Yet a number of myths remain dear to the hearts of those who fear the public's intrusion in weighty matters of foreign affairs—that public attitudes are fickle or naïve about complicated issues, for instance. Russett debunks many of those myths. Not all his news is good—upcoming elections do seem to encourage presidents to talk simple and act tough, though the effect is short-lived. But the reminder that foreign policy is of a piece with domestic politics is more necessary than ever, now that the template of the Cold War is less imprinting.

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THE GERMAN NUCLEAR DILEMMA. By Jeffrey Boutwell. Ithaca (NY): Cornell University Press, 1990, 247 pp. $29.95.
THE CHANGING POLITICS OF GERMAN SECURITY. By Stephen F. Szabo. New York: St. Martin's Press, 1990, 170 pp. $45.00.
THE BUNDESWEHR AND WESTERN SECURITY. Edited by Stephen F. Szabo. New York: St. Martin's Press, 1990, 265 pp. $55.00.

Whither Germany? The question, in a new form, will be with us for years. Boutwell provides a thoughtful assessment of West German nuclear politics during the governments of those two very different Helmuts, Kohl and Schmidt. He details the apparent breakdown in Germany's security consensus during the 1980s, and he outlines unified Germany's nuclear future. Will Germany be tempted to go nuclear? He thinks not: "A German nationalism that has been truncated for forty-five years will express itself politically, culturally and, above all, economically, rather than militarily." Szabo's book is broader and briefer (and dearer); he examines public attitudes and the security policies of the major West German parties. His edited volume focuses on the German army, the Bundeswehr, but its authors necessarily keep returning to the broader strategic currents that surround it.

THE EVOLUTION OF AN INTERNATIONAL ACTOR. Edited by Reinhardt Rummel. Boulder (CO): Westview, 1990, 354 pp. $45.00 (paper).

Whither Europe? This is a sourcebook on Western Europe's transition in the 1980s from Euro-sclerosis to Euro-phoria. Its authors range across nations and political persuasions, but they all leave the reader wondering whether Euro-phoric integration is up to the task of coping with a unified Germany, Eastern Europe and large-scale migration from both east and south.

AT THE HEART OF THE BOMB: THE DANGEROUS ALLURE OF WEAPONS WORK. By Debra Rosenthal. Reading (MA): Addison-Wesley, 1990, 244 pp. $18.95.

Half travelogue describing the Los Alamos and Sandia nuclear weapons laboratories, half interviews with those who build bombs, Rosenthal's purpose is to investigate the specialness of the choices confronting these people. What is striking instead, in unusual surroundings, is the ordinariness of those choices—hopes and dreams colliding with divorces, mortgages and college bills.

SUPERPOWERS IN ECONOMIC DECLINE: U.S. STRATEGY FOR THE TRANSCENTURY ERA. By Richard Cohen and Peter A. Wilson. Bristol (PA): Crane Russak, 1990, 276 pp. $49.50 (paper, $27.00).

This is heavy on consulting-company jargon (i.e., "transcentury") but intriguing nonetheless. America's defense possibilities depend on whether it can restore its national economy. The authors' detailed proposals amount to forgoing current consumption for future advantage; in the area of defense, this is recommended as a hedge against an uncertain Soviet threat. It is easy to quibble with the proposals—a long disintegration of the Soviet Union, for instance, seems more likely now than when the authors wrote—

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but the book is a thought-provoking combination of economics and defense.

MAKING DEFENSE REFORM WORK. Edited by James A. Blackwell, Jr., and Barry M. Blechman. Washington: Brassey's, 1990, 278 pp. $30.00.
AMERICAN DEFENSE ANNUAL, 1990–1991. Edited by Joseph Kruzel. Lexington (MA): Lexington Books, 1990, 393 pp.

In 1986 Congress passed the Goldwater-Nichols bill, aiming to strengthen "joint" military voices over those of individual services in defense policymaking, and the president established the Packard Commission to overhaul defense management. How have results been so far? "Mixed" is the answer of the distinguished authors of the Blackwell-Blechman volume, an answer less heartening still, since it was mostly written before the revolutions of 1989. Defense reform is one of a number of topics covered in the Kruzel volume, the sixth in a series of valuable yearly, nonpartisan reviews of American security policy, which also contains useful source material.

TANKS, FIGHTERS AND SHIPS: U.S. CONVENTIONAL FORCE PLANNING SINCE WORLD WAR II. By Maurice A. Mallin. Washington: Brassey's, 1990, 273 pp.

Mallin identifies six eras in the history of American planning for conventional forces. Era seven, now beginning, is not so new in its combination of tight budgets, a changing international context and ambivalent public attitudes. By history's lights, defense spending should turn upward again in the near future, but Gorbachev and Soviet decline may change all that.

THE NEW NUCLEAR RULES: STRATEGY AND ARMS CONTROL AFTER INF AND START. By James L. George. New York: St. Martin's Press, 1990, 194 pp.

A former congressional staffer and assistant director of the Arms Control and Disarmament Agency during the Reagan administration, George argues in this slim, provocative book for a comprehensive program of reductions. America's bomber and missile inventory has hardly changed in twenty-five years. "In the 1960s unrestrained weapons could catch up with strategy. In the 1990s strategy might have to catch up with restrained weapons." In this context, "all of the current new strategic systems should probably be canceled," pending a review. His call for a strategy linking weapons and arms control is not new, but it is apt after a decade of "an almost eerie absence of official . . . statements on nuclear strategy."

General: Economic and Social

William Diebold, Jr.

THE MYTH OF AMERICA'S DECLINE: LEADING THE WORLD ECONOMY INTO THE 1990s. By Henry R. Nau. New York: Oxford, 1990, 424 pp.

This study is a major effort to show that the failures and weaknesses of the international economic and political order are not primarily the result of the decline of American power. Nau draws on his governmental

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experience to show how important ideas and purpose are in shaping events. He surveys the creation and breakdown of the Bretton Woods economic world, and the spread around the world of moderate domestic economic policy and democracy. In the end, he makes a good case for the view that, in the present state of affairs, the United States "has an unparalleled opportunity . . . and indeed a special responsibility to continue to set the political tone for the world community."

PERESTROIKA FOR AMERICA: RESTRUCTURING BUSINESS-GOVERNMENT RELATIONS FOR WORLD COMPETITIVENESS. By George C. Lodge. Cambridge (MA): Harvard Business School Press, 1990, 225 pp. $22.95.

Building on his past work on American ideology and economic performance, Lodge has produced a first-rate volume making the case for new approaches to government-business cooperation in the United States. This Harvard Business School professor makes no bones about the risks of distortion and abuse of such measures and shows why needs, possibilities and the measures he recommends differ according to industries and situations. His lines of argument are strongly reinforced by the close examination of a good bit of the experience of recent years.

THE BORDERLESS WORLD. By Kenichi Ohmae. New York: HarperCollins, 1990, 224 pp. $21.95.

An engaging use of examples—some real and some invented—dramatizes a series of analyses and prescriptions concerning business and national economies by the managing director of McKinsey & Company in Japan. Although he stresses the globalization of trade and investment, the author insists that success requires that multinational companies be "insiders" in each of the major markets of the world and that they know their environments and consumers instead of just searching the globe for the lowest costs of production. Many ideas, practices and performances are challenged, including those of Japanese companies and people.

MANUFACTURING FOR THE SECURITY OF THE UNITED STATES. By Robert E. McGarrah. Westport (CT): Quorum Books, 1990, 200 pp. $39.95.

A professor of management with experience in the Pentagon and other parts of the government, McGarrah puts a good deal of the blame for the decline of American manufacturing on the way business people run their companies and the way the government conducts military procurement. His prescriptions for the return to competitiveness call for broader participation in management, more cooperation with allies in arms production and financing, and a "Marshall Plan revival" that will help the Third World and expand American exports.

PERESTROIKA AND EAST-WEST ECONOMIC RELATIONS: PROSPECTS FOR THE 1990s. Edited by Michael Kraus and Ronald D. Liebowitz. New York: New York University Press, 1990, 356 pp. $35.00.

Dealing with a subject of obvious interest—and one with which it is difficult to keep up—this volume covers most of the main issues of perestroika, including economic relations within Comecon and the new Soviet interest in international economic organizations. Some issues are

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handled very authoritatively; for others, the treatment is thinner. Six Soviet and ten Western scholars are the contributors.

JAPAN AND THE CHALLENGE OF EUROPE 1992. By Kenjiro Ishikawa. London and New York: Pinter Publishers (for the Royal Institute of International Affairs), 1990, 151 pp.

A useful condensed report of extensive research conducted at Chatham House leaves a Japanese economist with some well-justified concerns about how post-1992 Europe will conduct its trade with Japan. He sees the other side of the picture as well, but has no strikingly new suggestions for dealing with the troublesome issues.

CHINA'S OPENING TO THE OUTSIDE WORLD: THE EXPERIMENT WITH FOREIGN CAPITALISM. By Robert Kleinberg. Boulder (CO): Westview Press, 1990, 277 pp. $36.50 (paper, $14.95).

Kleinberg gives a detailed account of what the Chinese have done to introduce some capitalist activities into the country without abandoning socialism, and he makes a case for expecting this practice to continue without leading to the creation of a liberal system.

MONETARY POLICY FOR A VOLATILE GLOBAL ECONOMY. Edited by William S. Haraf and Thomas D. Willett. Washington: American Enterprise Institute Press, 1990, 216 pp. $24.95.

In these papers for a conference at the American Enterprise Institute, several seasoned analysts of international finance dig deeply into current controversies, especially over how to set exchange rates and how to cope with the international mobility of money.

The United States

Gaddis Smith

REAGAN AND THE WORLD. Edited by David K. Kyvig. Westport (CT): Greenwood Press, 1990, 208 pp. $39.95 (paper $14.95).

Essays by seven historians. John Lewis Gaddis argues that Reagan's record of dealing with the Soviets is equal or superior to that of Nixon and Kissinger; Akira Iriye praises the administration for improving relations with Japan; but the essays on Western Europe, the Middle East, Africa and Central America range from tempered to slashing criticism. A consensus on the foreign policy of the Reagan years will be a long time in coming.

SEA-CHANGES: AMERICAN FOREIGN POLICY IN A WORLD TRANSFORMED. Edited by Nicholas X. Rizopoulos. New York: Council on Foreign Relations Press, 1990, 294 pp. $14.95 (paper).

This well-conceived volume begins with 12 short essay snapshots of regional and functional issues in a world in which the Cold War has ceased to be a way of life. It concludes with four longer, reflective essays by William H. McNeill (particularly good), Robert W. Tucker, Susan Strange and Stanley Hoffmann. The authors are too wise to advance definitive answers, but collectively they provide a stimulating introduction to the issue of where the United States goes from here.

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AMERICAN NATIONAL INTEREST: VIRTUE AND POWER IN FOREIGN POLICY. By Karl von Vorys. New York: Praeger, 1990, 276 pp. $49.95.

An advocate's plea for making national interest, defined largely in the traditional vocabulary of political/military realism, the guiding principle of foreign policy. The author contends that "the military power of the Soviet Union has not diminished. Its government continues to develop and deploy newer and better weapons. . . . The KGB is as active as ever." How easy it is for an author to be overtaken by events in this decade of the 1990s!

THE SHATTERED CRYSTAL BALL: FEAR AND LEARNING IN THE CUBAN MISSILE CRISIS. By James G. Blight. Savage (MD): Rowman & Littlefield, 1990, 199 pp. $33.50.

One's first instinct on seeing yet another analysis of the Cuban missile crisis is to groan. But this study is original and important because it addresses the question of how the imminent possibility of the nuclear death of tens of millions affected the thinking of those whose miscalculations could make real the awful chance. The author brings a deep knowledge of the documentary and oral history record, psychology, philosophy, and even poetry to bear on the answer: the recognition and fear of mass nuclear death induced a special kind of prudence that transcended the conventional calculations of power and national advantage.

LUCIUS D. CLAY: AN AMERICAN LIFE. By Jean Edward Smith. New York: Henry Holt, 1990, 836 pp. $35.00.

This solid biography by a scholar who has devoted decades to General Clay and German-American relations draws heavily on extensive recorded interviews with the subject and is thus close to autobiography. The General's strong, clear opinions, no-nonsense personality, and administrative talent are powerfully expressed. The chapters on Clay's role as business leader and political adviser to President Eisenhower are fresh and interesting, although they may exaggerate Clay's importance just a bit.

EISENHOWER: TURNING THE WORLD TOWARD PEACE. By Harold Stassen and Marshall Houts. St. Paul: Merrill/Magnus, 1990, 438 pp. $22.95.

A long rebuttal by Harold Stassen of those who long ago belittled his influence in the Eisenhower administration. Through unstinting praise for President Eisenhower, the retelling of disagreements with John Foster Dulles, and lengthy quotations from speeches and memoranda, the book exalts Stassen's role as "Secretary for Peace."

IN THE SHADOW OF THE DOME: CHRONICLES OF A CAPITOL HILL AIDE. By Mark Bisnow. New York: Morrow, 1990, 319 pp. $20.95.

One of the major transformations on the Washington scene since World War II, and especially in the last quarter century, is the growth in the number, energy and qualifications of congressional aides working for individual members of Congress and committees. The memoir and analytical literature has been slow to describe this group of fast-moving and generally young men and women—a "fourth branch of government," as they have been called. This book is a readable insider's account of interest

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to all with a taste for politics, but especially to those who are or would like to be a congressional aide.

BLOOD, CLASS AND NOSTALGIA: ANGLO-AMERICAN IRONIES. By Christopher Hitchens. New York: Farrar, Straus & Giroux, 1990, 398 pp. $22.95.

An entertaining, sardonic, and yet serious jaunt through the culture of American Anglophilia. The argument is that many of the English characteristics that worthy Americans rejected in 1776—" . . . standing armies, hereditary privilege, state surveillance of the citizenry . . . monarchism"—have unfortunately been reimported in this century.

FOREIGN INTRIGUE: THE MAKING AND UNMAKING OF A FOREIGN SERVICE OFFICER. By Eric Kocher. Far Hills (NJ): New Horizon Press, 1990, 291 pp. $20.95.

An irreverent memoir of the author's two decades as a foreign service officer: rapid rise in the 1950s, impatience with stuffy conventions and abrupt selection out in 1968. Best passage: a hilarious account of Vice President Nixon's visit to Malaya.

THEN AND NOW: HOW THE WORLD HAS CHANGED SINCE W W II. By Tad Szulc. New York: Morrow, 1990, 515 pp. $22.95.

Chronological political history, sprinkled with the personal experiences and observations of a first-rate journalist, but not very illuminating analytically. But how in one volume could anyone really explain "how the world has changed since W W II"?

The Western Hemisphere

Abraham F. Lowenthal

LIBERATION THEOLOGY AT THE CROSSROADS: DEMOCRACY OR REVOLUTION. By Paul E. Sigmund. New York: Oxford, 1990, 255 pp.

A well-informed history of the sources, methods and doctrines of the liberation theology movement in the Latin American Catholic Church; its impact on the politics of Chile, El Salvador and Nicaragua; and its effects on the church in Latin America and on Vatican theology. A veteran student of both Latin American politics and of religion and its social context, the author argues that liberation theologians need to preserve their methods but change the content of their analysis in order to remain relevant. "The question for the future is whether this commitment to involvement of, and with, the poor can take place without the heavy overlay of pseudo-Marxism that produced such strong reaction against the movement in the 1970s."

SENDERO: HISTORIA DE LA GUERRA MILENARIA EN EL PERU. By Gustavo Gorriti. Lima: Apoyo, 1990, 399 pp.

An outstanding Peruvian journalist (and former Nieman Fellow at Harvard) has published the first of a projected three-volume study of Peru's Shining Path insurgency, a decade-long guerrilla movement whose actions have cost 20,000 lives so far and which now has effective control over large parts of the nation. Basing his account on scores of interviews and access to secret documents from the insurgents as well as from Peru's

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armed forces, Gorriti suggests that Shining Path has a millenarian vision, dedication and discipline that could transform Peru's history if the movement is not resisted promptly with greater intelligence and energy. A detailed and illuminating journalistic account.

CUBA: A JOURNEY. By Jacobo Timerman. New York: Knopf, 1990, 125 pp. $18.95.

Argentina's veteran journalist reports in vivid detail on his unofficial tour of Cuba in the summer of 1987. He is struck by "the sclerosis of a regime unable to accept modification of any sort," a newspaper that is "simply a degradation of the act of reading," Fidel Castro's "megalomania" and a "collective supporting hypocrisy." This is vintage Timerman: provocative, opinionated, informative, insightful and, at times, a bit outrageous.

ALTERNATIVE TO INTERVENTION: A NEW U.S.-LATIN AMERICAN SECURITY RELATIONSHIP. Edited by Richard J. Bloomfield and Gregory F. Treverton. Boulder (CO): Lynne Rienner, 1990, 157 pp. $26.50.

This volume is the result of an inter-American collaborative project sponsored by the World Peace Foundation. Its aim was to see if the hemisphere could break out of a repeated pattern: the United States perceives a revolutionary movement in Latin America as threatening to its security; Latin Americans, fearing U.S. intervention more than worrying about the revolutionary movement, try to reassure Washington but do not go far enough to do so, in part because of their non-interventionist bias, with the result that ultimately the United States does intervene. With the waning of Soviet power and the collapse of Marxist models in Latin America, the exercise may seem more dated or irrelevant than it really is, for Panama underscores the possibility of fresh U.S. interventions, albeit for new purposes—drugs or terrorism instead of communism. A worthwhile contribution to the much-needed rethinking of inter-American institutions.

DEMOCRACY IN THE AMERICAS: STOPPING THE PENDULUM. Edited by Robert A. Pastor. New York: Holmes & Meier, 1989, 262 pp. $24.50.

This well-organized symposium, the product of a conference at the Carter Center, deftly combines the insights of scholars and political leaders. The focus is on Latin America's stunning movement toward democracy in the 1980s, and on how this democratic progress can be consolidated so that the pendulum does not swing back to authoritarian rule. Of particular interest are the theoretical discussions by Laurence Whitehead, Guillermo O'Donnell, Juan Linz and Alfred Stepan, and the policy proposals offered by the editor, a former National Security Council official in the Carter administration.

U.S. POLICY IN CENTRAL AMERICA: THE ENDLESS DEBATE. By Dario Moreno. Miami: Florida International University Press, 1990, 186 pp. $26.95 (paper, $14.95).

For more than a decade, from the late 1970s to the Nicaraguan election of 1990, Central American policy was the subject of endless debate in

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Washington. In this clearly written and balanced study, based on extensive interviews with policymakers as well as context analysis of their public statements, Moreno argues that the underlying division structuring the debate had little to do with Central America itself. Rather it was a more fundamental division, reflecting basic worldviews, between "liberal internationalists," who focused on poverty and equity, and "Cold Warriors," who concentrated on East-West concerns.

LA ESCUELA DE CHICAGO: OPERATION CHILE. By Juan Gabriel Valdés. Buenos Aires: Editorial Zeta, 1989, 321 pp.

A detailed, well-documented and highly illuminating account of how a group of Chilean economists, trained at the University of Chicago after 1956, came to exert extraordinary influence on thinking about economics, society and politics in their country during the 1970s and 1980s. The author, who prepared this study as a doctoral project at Princeton, is now Chile's ambassador to Spain.

ESTADOS UNIDOS Y LA TRANSICIÓN ARGENTINA. Edited by Roberto Bouzas and Roberto Russell. Buenos Aires: Legasa, 1989, 359 pp.

During the past 60 years, the United States has become a great power while Argentina's international stature has steadily declined. These facts, compounded by history and culture, have contributed to the ups and downs of the complex U.S.-Argentine relationship, one of the most volatile and conflict-ridden in the western hemisphere. This symposium volume, bringing together 15 Argentine experts and seven from the United States, illuminates the relationship in the late 1980s, at a time when it seemed surprisingly positive.

DANS L'OEIL DE L'AIGLE: WASHINGTON FACE AU QUEBEC. By Jean-François Lisée. Montreal: Boréal, 1990, 577 pp.

This exceptionally interesting book by a Quebecois journalist is history that has gained a certain timeliness. It examines American relations with Quebec nationalism going back to Franklin D. Roosevelt, but naturally concentrates on the Parti Quebecois's coming to power in 1976 and its loss of the referendum of 1980. A good bit of the story comes from interviews with participants, but much of Lisée's best material comes from formerly classified American documents, several of which he prints. Less is heard of the views and activities of the federal government of Canada.

William Diebold

Western Europe

Fritz Stern

LETTERS TO FREYA, 1939–1945. By Helmuth James von Moltke. New York: Knopf, 1990, 441 pp. $24.95.

These letters are a fascinating document: an extraordinary human being observing with fairness and unrelenting hostility the developments in wartime Germany and Nazi-occupied Europe. Given the times and the likelihood of surveillance, the letters are amazingly candid. They tell us about the early period of the German conspirators, about Moltke's religious beliefs and the moral conditions of wartime life. An important source for

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the understanding of World War II. In short, these letters are of transcending and inspiriting importance.

REWORKING THE PAST: HITLER, THE HOLOCAUST, AND THE HISTORIANS' DEBATE. Edited by Peter Baldwin. Boston: Beacon Press, 1990, 308 pp. $29.95.

A collection of essays on aspects of the West German debate about the place of the Nazi past in German history. Some of these essays were part of the original debate, some are by younger American historians who analyze the significance of the debate. The editor's excellent introduction and the essays—all of which have been published before—give an overview of the extensive literature. There is much emphasis on the political context of the post-Bitburg debate, the more conservative and assertive atmosphere in the Federal Republic engendered by the Kohl-Reagan era of the early 1980s. In the debate the earlier liberal consensus prevailed—how will unification alter German perspectives on Germany's past?

THE FEDERAL REPUBLIC OF GERMANY AT FORTY. Edited by Peter H. Merkl. New York: New York University Press, 1990, 505 pp. (New York: Columbia University Press, distributor, $20.00.)

A collection of essays by American and British scholars on various aspects of the history of the Federal Republic, ranging from a discussion of the major parties to questions of national identity, the changed place of women, the role of the Protestant Church, and the place of the Federal Republic in world politics. The essays were written before the events of 1989 and inadvertently suggest how much has changed and is changing.

POLITICAL LOYALTY AND PUBLIC SERVICE IN WEST GERMANY: THE 1972 DECREE AGAINST RADICALS AND ITS CONSEQUENCES. By Gerard Braunthal. Amherst (MA): University of Massachusetts Press, 1990, 249 pp. $27.50.

A political scientist studies the effect of a highly controversial decree in 1972 by which loyalty to the free democratic order as embodied in Bonn's Basic Law was prescribed for public servants on the *Land* and federal level. The decree raised an instant debate in the Federal Republic and abroad on the possible infringement of civil liberties. The author, a sharp critic of the decree, reconstructs the atmosphere and the arguments of the time. By 1979 automatic screening was stopped; between 1972 and 1987, some 3.5 million people had been screened and between 1,102 and 2,250 barred. A reasonably impartial inquiry into an important issue, with occasional simplistic formulations. The work has unexpected topicality: how is the unified Germany going to deal with the civil servants of the former G.D.R.—as leniently as some forty years ago servants of the Third Reich were treated?

FRENCH AND BRITISH FOREIGN POLICIES IN TRANSITION. Edited by Françoise de la Serre, Jacques Lereuz and Helen Wallace. New York: Berg, 1990, 261 pp. $44.00.

A book of generally splendid essays on differences and similarities in French and British foreign policies in the postwar era, after they had lost their empires and found themselves subordinated to the two superpowers and economically overshadowed by their former enemies, Germany and

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Japan. Both were former world powers, a fact that set them apart from the rest of Europe and, given their different policies toward decolonialization, from each other. The essays, almost all of which are co-authored by a British and French scholar, are shrewd, incisive summaries that analyze a wide range of issues. The two countries were closer than the often visible divergences would suggest (de Gaulle and what is called Thatcher's "Grantham Gaullism"); the different styles of formulating and carrying out foreign policies are related to the differences in domestic policies and traditions.

THE TRANSFORMATION OF WESTERN EUROPE. By William Wallace. New York: Council on Foreign Relations Press (for The Royal Institute of International Affairs), 1990, 122 pp. $14.95 (paper).

A brilliant summary of the changes in Western Europe, rightly emphasizing the uneven march to integration and seeing Brussels as much a consequence as a cause of deep changes in European life. A model of succinct analysis, with a mastery of the relevant literature. Lucidly presented by a well-known British expert on all aspects of contemporary affairs in Europe.

THE ENDS OF GREATNESS: HAIG, PÉTAIN, RATHENAU AND EDEN, VICTIMS OF HISTORY. By Gene Smith. New York: Crown, 1990, 243 pp. $19.95.

A popular retelling of the lives of four major figures, all of whom were marked by the horror of the Great War. Gene Smith, a well-known author, puts these lives in the dramatic context of the First and, for Pétain and Eden, Second World War. There is little that ties these four lives together, and the book is strong on atmosphere but weak on analysis and interpretation.

The Soviet Union and Eastern Europe

John C. Campbell

MEMOIRS. By Andrei Sakharov. Translated by Richard Lourie. New York: Knopf, 1990, 736 pp. $29.95.

Not quite the classic for which one might have hoped, but nonetheless a compelling autobiography by one of the towering figures of this century who combined scientific genius with a driving force to defend individual human rights and to serve humanity. Not a complex man, Sakharov writes of his own life in lingering detail that can test a reader's attention, but with a directness and modesty that reflect his total honesty and integrity. The final chapters tell of his exile in Gorky and the tribulations visited upon him by the KGB, including confiscation of large parts of the manuscript of this book, which he then had to rewrite. His last years, following his return to Moscow in 1986, are the subject of a sequel to be published separately.

KHRUSHCHEV ON KHRUSHCHEV. By Sergei Khrushchev. Boston: Little, Brown, 1990, 423 pp. $24.95.

This affectionate memoir by his son enlarges our knowledge of the former Soviet leader's personality, of the conspiracy that overthrew him, and of the cat-and-mouse game with the KGB after his forced retirement.

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It leaves no doubt about the authenticity of the two volumes of Khrushchev's memoirs published some years ago in the West, but leaves intact the mystery of how the tapes or manuscripts were spirited out of the U.S.S.R. The editor, William Taubman, adds explanatory notes, many of which consist of the author's written answers to specific questions on how and why certain critical decisions were made.

TIME OF CHANGE: AN INSIDER'S VIEW OF RUSSIA'S TRANSFORMATION. By Roy Medvedev and Giulietto Chiesa. New York: Pantheon, 1990, 346 pp. $24.95.

Like a Viennese *Dobboschtorte* this is a confection of tasty layers, each chapter of narrative and commentary by Chiesa being followed by a dialogue between him and Medvedev. Chiesa has been for years the Moscow correspondent of *L'Unita*, the Italian Communist Party newspaper, and Medvedev is a distinguished Soviet historian, authority on Stalinism, critic of the Brezhnev regime and present member of the new Supreme Soviet. Basically it is Chiesa's book. His is the work of exposition of the main developments from 1986 through 1989, and he feeds the leading questions to Medvedev. But both have much to contribute in their judgments on the debates and struggles within the leadership and the party as perestroika proceeds. The stream of events flows with astonishing speed; the agenda of 1989 included issues and decisions far beyond those envisaged in 1986. The reader will be carried along on it and will profit from the experience.

GORBACHEV AND HIS ENEMIES. By Baruch A. Hazan. Boulder (CO): Westview Press, 1990, 335 pp. $49.50.

The approach here is unusual in concentrating on the various individuals and groups that have opposed Gorbachev. The list of "enemies" includes Yeltsin, Ligachev, Chebrikov, ideological conservatives, stick-in-the-mud bureaucrats, and elements of the armed forces and the KGB. A formidable array, but they do not act together and they have no viable alternative. Hazan, a veteran Sovietologist, does not have to read the tea leaves this time; he has plenty of published material on which to rely, thanks to glasnost, and he makes good use of it.

CAN GORBACHEV CHANGE THE SOVIET UNION? By Zdeněk Mlynář. Boulder (CO): Westview Press, 1990, 184 pp. $28.50.

An extended essay examining the meaning, extent and future prospects of the Gorbachev reforms on the domestic scene and on the new thinking and action in Soviet foreign policy. A leader in the Prague Spring of 1968 and now with the Austrian Institute of International Affairs, Mlynář writes with real understanding of the U.S.S.R. and its Russian heritage. He knows the fragility of institutional reform without long-term changes in political and social attitudes and habits, or assured autonomy for individual citizens, social, professional, ethnic and other groups. The section on the Soviet bloc is dated, but the comment on the U.S.S.R. itself holds up well.

PERESTROIKA: SOVIET DOMESTIC AND FOREIGN POLICIES. Edited by Tsuyoshi Hasegawa and Alex Pravda. London: Sage (for the Royal Institute of International Affairs), 1990, 276 pp. $45.00 (paper, $18.95).

A series of papers—well prepared, well argued and racing to keep up to

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date—that grew out of a joint project under the auspices of Chatham House. While there are some differences in regional perspectives among the Japanese and European authors in interpreting what is going on in the Soviet Union, the area of commonality of views is considerable. The authors address the question of the relationship between domestic and foreign policies, but by no means exhaust it.

SOCIALISM, PERESTROIKA, AND THE DILEMMAS OF SOVIET ECONOMIC REFORM. Edited by John E. Tedstrom. Boulder (CO): Westview Press, 1990, 239 pp. $27.85 (paper).

One of the best of the surveys of the process and prospects of perestroika, its quality virtually guaranteed by the stature of those brought together by the sponsor, Radio Free Europe/Radio Liberty. Contributors include Robert Campbell, Elizabeth Teague, Mark von Hagen, Philip Hanson, Karl-Eugen Wadekin and Hans Heymann. They are less concerned with the specifics of each step taken since 1985 than with the fundamental changes required to make the Soviet economy work, and they measure the ideas and aims of the reforms against the political and social forces in Soviet society, those that push for radical change as well as those that cling to long-established habits, interests and orthodoxies.

SOVIET SOCIETY UNDER PERESTROIKA. By David Lane. Boston: Unwin Hyman, 1990, 401 pp.

This is essentially a textbook, and a good one, but it is more than that. The approach is sociological, describing the society in its many aspects and with due attention to the magnitude of recent changes, their distruptive effects, and the likelihood of protracted social conflict between the regime and emerging groups in the civil society.

MEMO: NEW SOVIET VOICES ON FOREIGN AND ECONOMIC POLICY. Edited by Steve Hirsch. Washington: Bureau of National Affairs, 1989, 639 pp.

Translated articles from the professional journal of Moscow's Institute of World Economy and International Relations. Published in the years 1987–1989, most are shining examples of the new thinking, keeping in step with Gorbachev, or a few paces out in front.

INSIDE THE APPARAT: PERSPECTIVE ON THE SOVIET UNION FROM FORMER FUNCTIONARIES. Edited by Uri Ra'anan and Igor Lukes. Lexington (MA): Lexington Books, 1990, 281 pp. $44.95.

The book's organization is topical, and the text is interlarded with copious quotations from oral histories furnished by defectors from the U.S.S.R. and its former allies. Their inside revelations are generally not so different from the outside observations of Western Sovietologists, but on many points they are interesting in confirming, supplementing or contradicting those observations. The editors are aware that much of the book may seem out of date in view of recent developments, but they remain convinced that systemic change in the U.S.S.R. can only be "glacial"; in any event, they point, rightly, to the value of this testimony for the record.

THE END OF THE LINE: THE FAILURE OF COMMUNISM IN THE SOVIET UNION AND CHINA. By Christopher W. Wren. New York: Simon and Schuster, 1990, 316 pp.

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Christopher Wren, a *New York Times* correspondent in the Soviet Union and China in the 1970s and 1980s, traveled widely in both countries and observed, at the level of the ordinary citizen, the basic inefficiencies of the system and its inability to satisfy elementary needs, let alone a real measure of freedom. The narrative, skipping back and forth between the U.S.S.R. and China and noting the similarities and contrasts, is anecdotal rather than scholarly, but its vivid and honest reporting provides strong evidence of how the system works and doesn't work.

SOVIET DISUNION: A HISTORY OF THE NATIONALITIES PROBLEM IN THE U.S.S.R. By Bohdan Nahaylo and Victor Swoboda. New York: Free Press, 1990, 432 pp. $29.95.
THE NATIONALITIES FACTOR IN SOVIET POLITICS AND SOCIETY. Edited by Lubomyr Hajda and Mark Beissinger. Boulder (CO): Westview Press, 1990, 331 pp. $49.50 (paper, $19.95).

Giving the historical sweep of the Soviet government's record in dealing with non-Russian nationalities, the authors of *Soviet Disunion* show how and why, beneath the harmony of official declarations and the fact of central control, the problem was never solved. While the chronological presentation can lead to confusion as events in the several republics and autonomous provinces tumble into the narrative, and while the factors beyond nationalism are not fully explored, the essential information for judging past and future policy is here. The Hajda-Beissinger volume complements *Soviet Disunion* in that, with admirable scholarship, it digs deeper into the major nationalist movements and into specific fields of inquiry such as the economy, the military and religion. Both books show that Gorbachev has been slow to recognize the magnitude of the problem, which may already be spinning out of control.

RUSSIAN NATIONALISM: YESTERDAY, TODAY, TOMORROW. By Stephen K. Carter. New York: St. Martin's, 1990, 185 pp. $35.00.

Amid the struggle among party conservatives and reformers in the U.S.S.R. and the separatist strivings of ethnic minorities, the potent forces of Russian nationalism are sometimes overlooked. This modest monograph provides the historical context (Slavophils, Panslavism and all that) and sorts out the various strands contributing to the nationalist movement today, including the sinister Pamyat. Ambitious politicians may ride this wave, but they do not control it. The author pays his respect to John Dunlop, Alexander Yanev and others who have written on this subject recently, but begs to differ with them on significant points.

THE LEGACY OF CHERNOBYL. By Zhores Medvedev. New York: Norton, 1990, 352 pp. $22.95.

Medvedev's carefully assembled data leave no doubt about the magnitude of the Chernobyl disaster. This is the most comprehensive account of the accident and its consequences, presenting the scientific and technical material in language the layman should be able understand. The record of the Soviet authorities in dealing with Chernobyl was, at best, semi-glasnost mixed with secrecy and evasion, but their recognition of the realities increased as they struggled with the consequences.

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KONSPIRA: SOLIDARITY UNDERGROUND. By Maciej Lopinski, Marcin Moskit and Mariusz Wilk. Berkeley: University of California Press, 1990, 281 pp. $24.95.

In the first years after the imposition of martial law in Poland in 1981, three enterprising reporters, themselves in the underground, taped lengthy statements by leaders of the illegal resistance (notably in Gdansk, Warsaw and Wrocław), describing their actions, aims, strategies, agreements and disagreements, and random thoughts about Poland and its future. The interviews are put together chronologically and topically by the authors, along with substantial background and commentary of their own. A valuable source for the history of the time.

TOTALITARIANISM AT THE CROSSROADS. Edited by Ellen Frankel Paul. New Brunswick (NJ): Transaction, 1990, 196 pp. $28.95 (paper, $14.95).

Thoughtful essays about the nature of communist totalitarianism, particularly its ideological component, by Vladimir Bukovsky, Adam Ulam, Roger Scruton, Zbigniew Rau and others. More than one essay, but particularly John Gray's, suggest a resemblance between glasnost/perestroika and the aims and games of Lenin's New Economic Plan, with ominous implications. Taking Czeslaw Milosz's classic essay *The Captive Mind* (1953) as a starting point, Andrezej Walicki tries to dissect the genuine appeal that Marxism-Leninism once had for the intellectuals of Eastern Europe. At a time when communism in theory and practice has been so thoroughly discredited, this is of interest and perhaps importance for those, especially of the younger generation, who may not realize that communist totalitarianism was ever anything more than naked force.

Lucy Despard

THE MAGIC LANTERN. By Timothy Garton Ash. New York: Random House, 1990, 156 pp. $17.95.

Garton Ash was an interested spectator, and at times close to being a participant, in the revolutions that swept central and Eastern Europe. Already knowing the terrain, the leading personalities and the prevailing political and intellectual currents, he describes and interprets the dramatic events of 1989 with a sure touch and literary flair unmatched by other Western observers. About half of the book is devoted to the revolution in Czechoslovakia, "the most delightful of all."

NATIONALISM AND COMMUNISM IN ROMANIA: THE RISE AND FALL OF CEAUŞESCU'S PERSONAL DICTATORSHIP. By Trond Gilberg. Boulder (CO): Westview Press, 1990, 289 pp. $39.50.

For some years Trond Gilberg has been writing on contemporary Romanian affairs, establishing himself as one of the foremost experts in the field. Here he draws on much of that earlier work to present a full picture of Romania's political culture, and especially of the Ceauşescu regime and its devastating effects on the country and its people. The writing is as of the late 1980s. A brief epilogue takes cognizance of the revolution of December 1989, but nobody has bothered to change the tenses of the verbs in the main text.

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The Middle East

John C. Campbell

THE SOVIET-SYRIAN RELATIONSHIP SINCE 1955: A TROUBLED ALLIANCE. By Pedro Ramet. Boulder (CO): Westview Press, 1990, 290 pp. $38.50 (paper).

Soviet relations past and present with any given Middle Eastern country are cloaked in relative secrecy on both sides. Only a few Western observers, casting a wide net and practising a superior brand of Sovietology and its Middle Eastern equivalent, have been able to produce credible, though obviously not definitive, accounts. Ramet can now be added to their number. His book seems remarkably free of misjudgments, and it adds interesting points to some of the critical episodes such as the Syrian war scare of 1957, the prologue to the Six Day War in 1967, the Syrian incursion into Jordan in 1970, and the intervention in Lebanon in 1976. The entire narrative confirms the conclusion that Syria, as a Soviet client, was never a Soviet puppet.

THE UNITED STATES AND EGYPT. By William B. Quandt. Washington: Brookings, 1990, 82 pp. $7.95 (paper).

William Quandt's purpose is to concentrate on the essentials of the U.S.-Egyptian relationship, on how the security and other interests of the two sides have been served by past policies, and on what future changes should be made—here he has some specific recommendations, especially on military aid and debt relief. His knowledge of Egyptian society and of the Washington scene serves him in good stead. Brevity in this case is a real virtue; the book may be more widely read by those who ought to read it.

EGYPT AND THE ARABS: FOREIGN POLICY AND THE SEARCH FOR NATIONAL IDENTITY. By Joseph P. Lorenz. Boulder (CO): Westview Press, 1990, 184 pp. $34.95.

A concise history of Egyptian foreign policy since the officers' revolution of 1952, featuring the alternating, often conflicting and sometimes coexisting currents of broad Pan-Arabism and narrower Egyptian nationalism. The bulk of the book deals with the Sadat years, generally following well-known lines, but with additional insights derived from the author's experience as a U.S. foreign service officer dealing with Egyptian affairs. On the years of Mubarak, more a practical than an ideological man as he has sought a return to the Arab fold while holding to the peace treaty with Israel, the author makes clear which are the bedrock elements of Egyptian policy and which are merely the tactical.

ISLAMIC FUNDAMENTALISM IN EGYPTIAN POLITICS. By Barry Rubin. New York: St. Martin's, 1990, 180 pp. $39.95.

A competent assessment of the various fundamentalist movements existing in Egypt today: their history, ideology, organization, leadership, factionalism and political impact. While the book does not really get inside these movements, the research into their pronouncements and publications is most thorough and seems to justify the author's studied conclusion that a takeover of government by radical fundamentalists is most unlikely. The disruptive potential of these forces, however, should not be ignored.

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FACING A CRUEL MIRROR: ISRAEL'S MOMENT OF TRUTH. By Michael Bar-Zohar. New York: Scribners, 1990, 246 pp. $22.95.

A memoir of life in Israeli politics since Ben-Gurion's day (the author was a confidant and biographer of Ben-Gurion), combined with a running commentary on what has gone wrong, both internally and internationally, since the heady victory of 1967. The author, a centrist member of the Labor Party, deplores the weaknesses of Israel's constitutional and electoral system and the general shortsightedness and failure of leadership, sprinkling his text with sharp and unflattering portraits of politicians from both Labor and Likud. Lively and also deadly serious, a book well worth reading.

ISRAEL, PALESTINIANS AND THE INTIFADA: CREATING FACTS ON THE WEST BANK. By Geoffrey Aronson. New York: Kegan Paul (with The Institute for Palestine Studies), 1990, 376 pp. $29.95.

A revised and updated edition of an excellent book first published in 1987. It is still a good book, but the change in title and the rather sketchy coverage of the intifada do not add much to what we had before. Recent events do confirm one of the author's main points: that until there is a change in the Israeli consensus on creating "facts," on holding and building positions in the West Bank, it is illusory to expect progress toward a negotiated settlement.

THE PALESTINIANS: NEW DIRECTIONS. Edited by Michael C. Hudson. Washington: Center for Contemporary Arab Studies, Georgetown University, 1990, 236 pp. $29.95 (paper, $14.95).

The first part of the book, by Palestinian scholars, looks at the intifada and its effects in the occupied territories, covering much the same ground (and with some of the same authors) as does *Intifada: Palestine at the Crossroads* (noted in *Foreign Affairs*, Fall 1990). The second part, on the policies of outside states, includes a thoughtful essay by the editor on U.S. policy, plus brief and less useful contributions from the U.S.S.R., Israel and Jordan. The final section sets out the possible outline of a two-state solution. In all, the volume provides a good picture of present prospects as seen by those concerned for both Palestinian rights and peaceful settlement.

PALESTINE AND ISRAEL: A CHALLENGE TO JUSTICE. By John Quigley. Durham (NC): Duke University Press, 1990, 337 pp. $42.50 (paper, $18.95).

A combined historical and legal study covering the conflict over Palestine from its nineteenth century beginnings to the present day. Many of the legal points are quite valid, and there is no doubting the author's main point that the Palestine Arabs have been denied the right of self-determination. However, international law does not furnish any answers, and the whole book is so one-sided as to make it a contribution to continuing rancorous debate rather than to settlement.

BEYOND OCCUPATION: AMERICAN JEWISH, CHRISTIAN, AND PALESTINIAN VOICES FOR PEACE. Edited by Rosemary Radford Ruether and Marc H. Ellis. Boston: Beacon Press, 1990, 319 pp. $24.95.

The contributors are in three groups: "progressive American Jews who

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are struggling to rethink their own world view"; American Palestinians with a revised perspective, "ready to accommodate the existence of the state of Israel"; and American Christians who have been involved in the Jewish-Christian dialogue and "are concerned about justice for the Palestinians." All come out at about the same place: the need for an end to the Israeli occupation of the West Bank and Gaza, for negotiation between the parties (including the Palestine Liberation Organization), and for a two-state solution. But the differences of approach and the discussions of religious and moral factors are of interest. Much sincerity here, although not a lot of political clout.

ISRAELI PACIFIST: THE LIFE OF JOSEPH ABILEAH. By Anthony G. Bing. Syracuse (NY): Syracuse University Press, 1990, 214 pp. $24.95.

The moral and political philosophy of Abileah, a distinguished Israeli musician, is that of Martin Buber and Judah Magnes, one of reconciliation and nonviolence. He has made notable efforts, through proposals to the United Nations, through public appearances and appeals, and through the pattern of his own life, to promote Jewish-Arab concord and a Middle East (Israel-Palestine-Jordan) federation. But the political climate has offered no chance of tangible success. This is a sympathetic biography by an American professor who has been active in Quaker peace activities in the Middle East.

Asia and the Pacific

Donald S. Zagoria

CHINA BRIEFING, 1990. Edited by Anthony J. Kane. Boulder (CO): Westview Press (with the China Council of the Asia Society), 1990, 214 pp. $33.85 (paper, $14.85).

This annual volume on China continues to be extremely informative. In this assessment, eight American China-watchers offer a balanced and perceptive view of events leading up to Tiananmen. There is a good introduction by Anthony Kane and excellent essays by Kenneth Lieberthal, Dwight Perkins and Martin Whyte. Perkins, in a superb contribution on the economy, argues that the political crisis of 1989 did not create a comparable economic crisis, and he points out that the Chinese peasantry has benefited from the dramatic rise in farm incomes during the 1980s and is not as disaffected from the government as are many intellectuals and city dwellers. He also observes that prior to Tiananmen the reformers created more than 100 million jobs in nonagricultural occupations and that this has reduced some of the pressure on the political system. Finally, he notes that many of the provincial and country governments that benefited from the more liberal policies of the reform period are resisting any large-scale curtailment of their independence in economic affairs. In sum, the current situation in China is much more complex than it is often portrayed in the American media. For anyone who wishes to understand it, this is the book with which to start.

CHINESE POLITICS AND FOREIGN POLICY REFORM. Edited by Gerald Segal. London and New York: Kegan Paul (for the Royal Institute of International Affairs), 1990, 281 pp.

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This is an uneven collection of essays by a group of European China specialists on the linkages between domestic and foreign policy in China. One of the more interesting essays, by Peter Ferdinand, explores the phenomenon of regionalism. Ferdinand shows how many provincial leaders have exploited the opportunity for greater autonomy on the domestic level while also becoming more sophisticated operators in the world economy. The most dramatic example is Guangdong, which has become China's most successful export province. The central government in Beijing has found itself unable to monitor adequately the local government, and by 1988 the province had managed to continue to finance its own further development in defiance of a centrally ordered credit squeeze.

PROBING CHINA'S SOUL: RELIGION, POLITICS, AND PROTEST IN THE PEOPLE'S REPUBLIC. By Julia Ching. New York: HarperCollins, 1990, 269 pp. $18.95.

This is a philosophical meditation on the recent tragic events in China by an eminent Sinologist known for her substantial contributions to the study of Chinese religion and philosophy. The effort at probing China's cultural tradition is praiseworthy but unsatisfactory. While the author sheds much light on the malaise currently afflicting China's intellectuals, many of whom hold traditional Chinese culture as well as Deng Xiaoping and Li Peng responsible for the guns of June 1989, soul-searching at this level of generality has serious limitations.

CHINA'S CRISIS, CHINA'S HOPE. By Liu Binyan. Cambridge (MA): Harvard University Press, 1990, 150 pp. $22.50.

The author is a writer-journalist, former party member and Marxist believer, who was purged from the party in 1957 and again in the late 1980s, and has been in the West since 1988. This book is based on a series of lectures he gave prior to Tiananmen plus a rather slight essay added after. His basic theme is the conflict between a rapidly changing Chinese society and an unresponsive party leadership. He predicts that China will be democratized not by a Gorbachev but by conflicts between the local regions and the center, in which democratic forces will gradually gain the upper hand. There is a particularly interesting lecture on the Chinese bureaucracy, which Liu estimates to number 20 million people.

RETHINKING THE PACIFIC. By Gerald Segal. New York: Clarendon Press/Oxford, 1990, 400 pp. $64.00.

A well-known British specialist on Asia pours cold water on the much touted idea of a Pacific Community. He shows that the Pacific has never been and shows no sign of becoming a coherent political entity and argues that the vital developments taking place there are best understood in a broader global context including the decline of the superpowers, the new paths of development in the Third World, and growing interdependence in the global economy. While it paints a broad picture, the book does not really add any new or challenging insights to newly emerging dilemmas, such as the increasingly troubled U.S.-Japan relationship, which is covered in 12 pages.

COOPERATIVE SECURITY IN NORTHEAST ASIA. By R. Mark Bean. Washington: National Defense University Press, 1990, 198 pp.

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The author, a colonel in the U.S. Air Force, calls for a China-Japan-South Korea security coalition against the Soviet Union. While such a strategy might have been appropriate for an earlier decade, it no longer seems viable at a time of substantial change in the Soviet Union and improving relations between Moscow and all of the northeast Asian countries.

Africa

Gail M. Gerhart

"STAY OUT OF POLITICS": A PHILOSOPHER VIEWS SOUTH AFRICA. By Ronald Aronson. Chicago: University of Chicago Press, 1990, 164 pp.

RUNNING TO MAPUTO. By Albie Sachs. New York: HarperCollins, 1990, 215 pp. $19.85.

These two unusual memoirs focus on themes of disaster, progress and hope in southern Africa as seen through the eyes of an American academic lecturing at South African universities in 1987 (Aronson), and one of South Africa's best known exile intellectuals (Sachs) during his recuperation from a 1988 bomb attack. Aronson's observations provide a thoughtful introduction to the familiar moral dilemmas of apartheid. Sachs, in what may become a minor classic of existential literature, reveals how totally integrated the instincts of personal and political struggle become in the life of the committed activist.

SOUTH AFRICA'S FOREIGN POLICY: THE SEARCH FOR STATUS AND SECURITY, 1945–1988. By James Barber and John Barratt. New York: Cambridge University Press, 1990, 398 pp. $54.50 (paper $16.95).

This useful and highly readable account of South African diplomacy since World War II stops a year short of the de Klerk era and the start of South Africa's most drastic efforts to date to restore its credentials as a member of the international community. The authors chart four distinct foreign policy phases since 1945, each resulting in the progressive isolation of Pretoria in Africa and the world, and show how persistent opposition from blacks and their allies eventually doomed the attempts of South Africa's Western trading partners to separate economic from political relations. Readers looking for an inside glimpse of policymaking processes within the laager may be disappointed; however, an immense wealth of published sources has been drawn together in producing this solid study.

POLICY CHOICE AND DEVELOPMENT PERFORMANCE IN BOTSWANA. By Charles Harvey and Stephen R. Lewis, Jr. New York: Macmillan, 1990, 341 pp.

Two respected development economists who have served as advisers to the government of Botswana review the diverse range of development policies that account for the country's relative economic success since independence. Although Botswana has reaped the windfall gain of major mineral discoveries, many other factors have also contributed to rapid growth, including good economic management by the government, skill in negotiating mineral and trade contracts, absence of prestige spending, and political stability due in part to a functioning democratic system. This book

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is a lucid and authoritative analysis that does not duck the criticisms sometimes leveled at the undesirable side effects of Botswana's growth, particularly widening income disparities.

FOREIGN MILITARY INTERVENTION IN AFRICA. By Keith Somerville. London: Pinter/New York: St. Martin's, 1990, 205 pp. $45.00.

This book surveys inter-African conflicts in the postcolonial period and the interventions they have invited from external powers, notably France, Cuba, the U.S.S.R. and Libya, although South African, Israeli, Chinese, American and British involvements are also mentioned. The author, an experienced British journalist with no conspicuous axes to grind, packs a mass of informative detail into his treatment of the subject but offers mainly familiar explanations: colonial legacies and state fragility on the African side and economic, strategic and political ambitions on the part of the interventionists.

MOTHERS OF THE REVOLUTION. Edited by Irene Staunton. Harare: Baobab Books, 1990, 306 pp.

Thirty-five thousand people are said to have died in Zimbabwe's war of independence, a brutal anticolonial conflict that brought fear and deprivation to a peasant population caught in the crossfire between government forces and contending guerrilla armies. In this bottom-up view of the revolution, 30 Zimbabwean women narrate their wartime experiences and offer an unvarnished view of popular hopes and disappointments in an era of social upheaval.

THE IMPACT OF SANCTIONS ON SOUTH AFRICA. Washington: Investor Responsibility Research Center, 1990, 2 vols. $50.00.

There is much in this authoritative study that should interest future historians and policy analysts charting the multiple forces of change in South Africa in the pre-de Klerk period. Focusing their research on both economic effects and attitudinal responses among whites, the authors emphasize several conclusions: that the anticipation of sanctions over two decades pushed Pretoria into an expensive semi-autarkic development strategy that seriously retarded economic growth; that except in respect to capital, oil and computer technology, South Africa is less vulnerable to sanctions now than it was in earlier decades; and that white attitudes regarding sanctions in 1989 reflected a predictable ambivalence toward foreign pressures. To create stronger incentives for change, the authors recommend a U.S. sanctions strategy that offers incremental rewards for specific reforms carried out.

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Edited by Janis A. Kreslins

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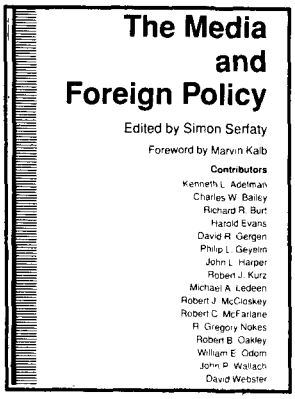

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